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ECONOMIC INTELLIGENCE WEEKLY

29 June 1977

Articles

USSR: ECONOMIC PROSPECTS ARE POOR

The outlook for the Soviet economy over the next five to 10 years is more bleak and the policy decisions more uncertain than at any time since Stalin's death. The USSR is approaching a period of reduced growth with possible bottlenecks in key commodities, especially crude oil, that threaten to create economic disruptions and reduce growth even further. The basic problem is that the formula for growth used over the last 25 years—maximum inputs of labor and capital—will no longer work. Moscow also will be confronted with a new set of difficult policy problems, especially involving energy use, imports from the West, and relations with Eastern Europe. Leadership responses to these problems will be severely complicated by the fact that the stability in the leadership is almost certain to weaken during the coming period, especially with Brezhnev's vigor and stamina recurrently in question.

Basic Problems—Labor and Productivity Growth

The decline in birth rates in the 1960s, already reflected in a decline in the number of new entrants into the labor force, will become much more acute in the early to mid-1980s. The reservoir of redundant farm labor has already been siphoned off to develop other sectors. Moreover, additions to the labor force will come mainly from ethnic minorities in central Asia who do not readily move to labor-short northern industrial areas.

Productivity gains of both labor and investments in plant and equipment have been slowing for years and there are new problems likely to depress productivity.

- The growth of investment outlays is slowing down and is programmed to continue at low rates at least to 1980. This will give less opportunity for replacing obsolescent facilities with new plant and equipment.

Note: Comments and queries regarding the ***Economic Intelligence Weekly*** are welcome. For the text, they may be directed to [redacted] of the Office of Economic Research, Code 143, Extension 5208; for the Economic Indicators, to [redacted] of OER, Extension 5943. 25X1A

- Fuels and other industrial raw materials will become more expensive largely because of the depletion of reserves west of the Urals and the costly effort to develop resources in Siberia and Central Asia.

- The costs of producing technologically sophisticated products are rapidly rising.

- A looming oil shortage may create bottlenecks and will almost certainly force curtailment of critical imports of capital goods from the West.

The Energy Problem

The Soviets are not finding and developing new oil deposits rapidly enough to offset declines in older fields. As a result, production will begin to fall in the late 1970s or early 1980s. Last year's oil production of 10.4 million barrels per day was close to the estimated maximum potential of 11 million to 12 million b/d. By 1985 oil output is expected to fall to between 8 million and 10 million b/d. In addition to the failure to find new deposits to offset depletion, production techniques now in use—such as excessive water flooding—focus on short-term gains at the expense of maximum lifetime recovery.

To stave off or slow the expected fall in production even temporarily, the Soviets will need high-capacity submersible pumps made only in the United States. Without them, oil production will fall sooner rather than later. Beyond the mid-1980s, the USSR is counting on large new supplies of oil and development of alternative energy sources—coal, natural gas, and hydroelectric power. Most potential major sources lie east of the Urals, far from major industrial and population centers: their development would take years and require massive capital investment. Even if the development of other energy sources is pushed to the maximum, the rate of growth of energy output will fall—a plausible scenario projects a decline from 4 percent in 1976-80 to slightly above 1 percent in 1981-85.

Soviet energy consumption has closely paralleled the growth of the economy. As a result, the sharp slowdown in energy production threatens to impede economic growth drastically unless Moscow saves massive amounts of energy and/or allows a major turnaround from its present net energy export position to a net import position.

Energy savings are difficult to come by; large sources of oil saving are more difficult to identify in the USSR than in the West because a large share of consumption is for commercial and industrial use. As a result, opportunities for oil conservation that would not hinder production are more limited than in the West. The more the Soviet government delays adoption of a top-priority energy program, the greater the economic impact in the 1980s.

Impact of Hard Currency Imports

The oil problem could have disastrous effects on the USSR's ability to import from the West.

- Last year oil accounted for half of the USSR's hard currency earnings.

- Continuation of present policies could lead to a shift from selling 1.2 million b/d of oil to hard currency countries in 1976 to pressure to buy large amounts—according to a possible scenario, imports would be 2.7 million b/d in 1985—a net shift of about $15 billion.

- Under these circumstances if Moscow did not cut oil exports to Eastern Europe, it would have no hard currency left to buy any manufactured goods from the West.

Moscow obviously would go to great lengths to avoid such an outcome, but cannot escape some difficult and painful choices. Even with an all-out Soviet effort, average annual growth of non-oil hard currency exports probably could not exceed 10 percent in real terms; and these added earnings, together with those from gold sales and arms, would offset only part of the hard currency loss due to the oil shift. Credits will contribute little to import capacity because of growing debt service. Moscow's opportunities to barter for oil from Middle Eastern countries rather than pay hard currency for it appear to be limited except for arms in some cases. Middle East oil producers have no incentive to buy Soviet goods when they have ample funds to obtain better quality Western goods.

Eastern Europe may be hit hard by Soviet decisions on oil. Eastern Europe now gets 1.3 million b/d of Soviet oil and by 1980 is scheduled to get 1.6 million b/d, a diversion of about $7 billion in potential Soviet hard currency earnings. Moscow will carefully weigh the trade-offs between continued economic support to Eastern

Europe and its own exports for hard currency. There will be strong pressure to force Eastern Europe to share the burden of the oil shortage in the 1980s. Any substantial cut in oil supplies to Eastern Europe, however, would worsen its already difficult economic situation and threaten to undermine political stability in those countries.

Agriculture–A Continuing Problem

Agriculture will remain a major economic headache. Soviet farm production still cannot provide the quality diet that the Soviet population desires; demand for meat is rising faster than incomes. Much of the past rise in farm output reflects a massive infusion of investment, but the weather has been responsible for roughly half of the increase in grain production between the early 1960s and 1974. Despite these favorable conditions, imports of farm products have accelerated in recent years.

If the climate in the principal grain areas does return to the harsher–but, we believe, more normal–conditions of the early 1960s, we expect grain imports, and the resulting burden on scarce hard currency supplies, to be substantial.

Outlook for Economic Growth

A marked reduction in the rate of economic growth in the 1980s seems inevitable. A plausible forecast is for a rate of growth of GNP averaging about 4 percent a year through 1980, and roughly 3 percent in 1981-85. This projection is based on (a) expected trends in inputs of labor and capital; (b) continuation of productivity trends of the past decade or so; (c) the mid-point of a likely range of energy output; and (d) energy conservation on a priority basis.

Economic growth could be substantially slower than this. If the output of energy falls to the lower end of the expected range, and there is little conservation growth in GNP could be limited to an average of 2 percent a year by an energy shortage.

The possibility of achieving substantially higher growth seems small. Moscow's policy options on the manpower problem are limited. Several measures could be adopted, but they will have a limited and temporary effect on labor force growth.

- Older workers could be retained longer in the labor force.

- More young workers could be brought into the labor force by changing education policies.

- The armed forces could be reduced by shortening the term of service.

Moscow's options for affecting the productivity of investment are even more constrained.

- The Soviets could shift industrial capacity from defense to the production of investment goods. But defense production is what the Soviets do best, and they would be reluctant to undermine that capability. Moreover, specialized defense resources are not easily transferred on short notice.

- Moscow could stretch out R&D and production schedules and slow the rate of expansion of defense-oriented industrial capacity, but this would have little effect, at least in the short run.

- The Soviets could try to improve productivity through reforms of economic management. With powerful vested interests, however, there is virtually no chance for reforms far-reaching enough to spur the economy through the mid-1980s.

Even a combination of these measures--such as a leveling off of defense production coupled with measures to obtain additional manpower--would probably raise economic growth only slightly. Moreover, high growth would increase the demand for oil and thus make the potential shortage greater.

These are *average* figures; performance in some years could be better, but also worse, with zero growth or even absolute declines in GNP a real possibility if oil shortages and a bad crop year coincide.

Impact on Defense

The slowdown in economic growth is likely to trigger intense debate in Moscow over the future levels and pattern of military expenditures. Military programs have great momentum and powerful political and bureaucratic support. We expect spending to continue to increase in the next few years at something like recent annual rates of 4 to 5 percent because of programs in train. As the economy slows, however, ways to reduce the growth of defense expenditures should become increasingly attractive to major elements of the Soviet leadership.

Defense will continue to be the primary claimant on resources, and defense programs essential to an appropriate balance of forces will be maintained, but the economic incentives to seek arms agreements that limit US arms competition will be greater.

Impact on the Consumer

The reduced growth potential means that the Soviet consumer will fare poorly during the next five to 10 years relative to recent gains. Under the growth rates posited for 1981-85, per capita consumption could grow no more than 2 percent a year vs. about 3.5 percent since 1965. As a result, there will be no progress in closing the gap in living standards with the West or, for that matter, with most of Eastern Europe. Moreover, with an aging labor force and the consequent wage creep, the increasing amount of disposable income combined with a slower growth in the availability of consumer goods will result in inflationary pressures and increasing frustration for the consumer.

Relations with the US

Moscow's economic problems in the 1980s will strongly affect its relations with the West, especially the US. Even under favorable assumptions for hard currency earnings, Soviet ability to import from the industrial West in the early and mid-1980s will almost certainly decline. Moscow, therefore, may ask for long-term credits (10-15 years), especially to develop oil and gas resources. The USSR needs US technology to do this rapidly. Long-term credits would require government guarantees.

Choices for the Leadership

As Soviet leaders obtain a better perception of the resource problems ahead, they will be led to consider policies rejected in the past as too contentious or lacking in urgency. Some leaders might be persuaded that basic organization and management reforms in industry are necessary. But that will raise the spectre that such reform would threaten political control. Consideration of other options—such as accelerating investment at the expense of defense or consumption, or reducing the armed forces to enhance the civilian labor force—could also result in strong leadership disagreements.

Soviet responses to economic problems will be severely complicated by the fact that leadership stability will almost surely weaken during the coming period. The aging leadership group has been timid in its approach to economic reform and is unlikely to face hard decisions and consider novel responses. Not until a new and vigorous leadership is in power is it likely that the Politburo will come to grips with the difficult problems of the Soviet economy. (Confidential)

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PEKING'S FRESH LOOK AT IMPORT FINANCING

China may relax its conservative attitude toward foreign credits to accelerate imports of capital goods. During a recent visit by a high-level delegation of the Bank of China (BOC) to Western Europe, the Chinese discussed a number of different methods of financing industrial imports with European bankers, although no actual business was negotiated.

A BOC delegation headed by General Manager Pu Ming visited a number of major banks in Switzerland, West Germany, Belgium, and the United Kingdom in late May through early June. In discussions with the bankers the Chinese sought information on medium- and long-term credits, Eurocurrency borrowing, and syndicated loans. Other topics of interest were commissions, insurance, and shipping as they pertain to import financing.

Two specific proposals were discussed. In Brussels the BOC delegation asked a Belgian bank if it would be willing to participate in a $50 million loan to the PRC. The bankers' impression was that the PRC group was only testing West European reaction to such a request. Both sides indicated that it would be premature to discuss the details of a loan but agreed in principle. During their West German visit the group was reportedly offered a $1 billion consortium loan. A similar proposal was apparently discussed with Swiss bankers. The Chinese were interested in the German offer but deferred further discussion.

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This new interest in import financing indicates that Peking is rethinking its arch-conservative credit policy. To date China has accepted only medium-term supplier credits of up to five years for plant purchases, some short-term commodity credits, and short-term deposits by foreign banks with the BOC. By defining these as deferred payments and reciprocal deposits, Peking has been able to maintain a no-foreign-debt facade. Previously Western businessmen and bankers have found the Chinese unwilling to even discuss long-term credits or direct borrowing.

It is not clear whether China has made a decision to liberalize its credit policy or is merely collecting information on financial alternatives. One report stated that the BOC delegation told a bank that the PRC had changed its financial philosophy and was definitely interested in borrowing to help finance technology imports. Another report, however, identified disagreement within the BOC over the efficiency of medium- and long-term borrowing and indicated that such borrowing would not be possible under the current five-year plan (1976-80).

The new leadership has recommitted the PRC to imports of foreign technology as a means to spur economic development. Since the potential for China's export growth in the near future is limited, its willingness to accept foreign credits will determine the pace of capital imports. China's present debt structure is manageable, and it has an excellent credit rating in the West. If the leadership decides to seek foreign loans, funds would be readily available. Direct borrowing would also reduce financing costs for the Chinese. Foreign bankers would likely be willing to couch such loans in terms acceptable to Peking's fiscal philosophy. (Secret Noforn)

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THE PHILIPPINES: BALANCE-OF-PAYMENTS OUTLOOK

Buttressed by large foreign exchange reserves and adroit foreign borrowing, the Philippines has weathered the worst of the oil crisis and looks toward substantial improvement in international payments this year. A less-than-expected recovery in exports in 1976 produced a record current account deficit of $1.1 billion. Nonetheless, Manila was able to offset the deficit through stepped-up borrowing–largely in foreign commercial capital markets and drawdowns on official project loans. We expect the current account deficit to decline to $900 million from last years' $1.1 billion, GNP to grow somewhat faster than 1976's 6.3 percent, and prices to increase on the order of 6 to 8 percent.

Policy Under Martial Law

Declaration of martial law in 1972, with its attendant increase in political stability and central government control, ended much of the improvisation that had marked Manila's past handling of international payments problems. Philippine policy has since sought to strike a balance among credit expansion, domestic price restraint, and import growth. To assure attainment of these goals, Manila has done more to support exporters and foreign investors than in the unsettled days of the late 1960s. Building on foreign loans and strong exchange reserves, the government has been able to keep real growth at some 6 percent throughout the oil crisis period. Substantial public investment in infrastructure has begun to pay off in improved agricultural growth.

Except for a misguided attempt to drive up world sugar prices in 1975, Marcos' economic planners and managers have proved unusually adept at overcoming setbacks from the oil price rises and the effects of world recession. In large measure, Manila's success stems from its ability to exploit new sources of both official and commercial credit and its shrewd management of the country's growing debt.

Nevertheless, several more fundamental factors continue to color judgments on Philippine economic prospects. The problem of who will succeed President Marcos has created uncertainty among both domestic entrepreneurs and foreign creditors as to the future direction of Philippine affairs. The lack of new agreements with the US on bilateral economic relations and on American military bases also raises doubts as to whether the traditionally close US-Philippine relationship will endure. Lastly, the

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Current Account Patterns in 1973-75

The Philippine current account deteriorated sharply in 1974-75 and has only recently begun to show signs of recovery. The downturn followed rapid export growth and the attainment of a record trade surplus during the 1973 world commodity boom. These accomplishments had led to a phenomenal gain in foreign exchange reserves, which ultimately crested at $1.5 billion in 1974.

Philippines: Foreign Financial Gap

Million US $

	1973	1974	1975	1976[1]	1977[2]
Exports, f.o.b.	1,871	2,694	2,263	2,517	3,200
Imports, f.o.b.	1,597	3,143	3,459	3,634	4,100
Net services and transfers	170	167	206	-22	-10
Current account balance	444	-282	-990	-1,139	-910
Debt amortization	-340	-345	-350	-368	-420
Financial gap	**104**	**-627**	**-1,340**	**-1,507**	**-1,330**
Medium- and long-term capital inflows	374	949	1,274	2,030	1,330
Direct investment	65	28	70	85	100
Government and private loans	232	846	1,137	1,912	1,195
Government grants	77	75	67	33	35
Net short-term capital	75	231	102	-96	0
Errors and omissions	-66	-87	-182	-145	0
Change in reserves	487	466	-146	272	0

[1] Preliminary.
[2] Projected.

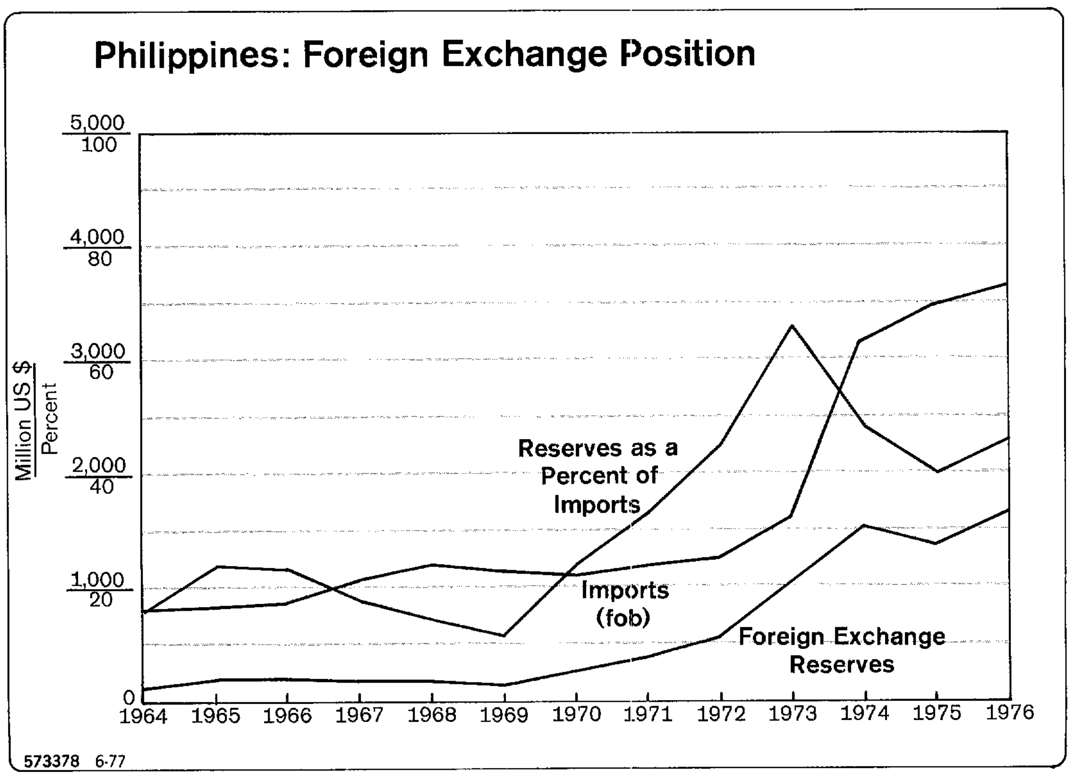
High world prices for sugar and coconut products continued into 1974. Import prices rose by 75 percent that year, only partly because of oil price increases; total imports nearly doubled. Reduced demand for such key exports as logs and plywood, copper, and coconut oil in the latter half of the year produced a sizable current account deficit, the first since 1970. Still, capital inflows more than offset the deficit.

In 1975 the adverse impact of the world recession was acute. Commodity exports dropped 16 percent while imports rose by 10 percent, producing a record trade deficit of $1.2 billion. Despite some growth in receipts from services and transfers (including US veterans' pensions), the current account deficit rose to nearly $1 billion. To cover it, Manila moved quickly to foreign borrowing, tapping an existing $700 million credit line with commercial banks in the United States and Europe as well as $150 million from the IMF. These credits enabled Manila to sustain economic growth near 6 percent, continue key development projects, and maintain foreign exchange reserves near the 1974 level.

Moderate Improvement in 1976

The key feature of Philippine trade and payments patterns in 1976 was a slower-than-expected recovery in commodity exports. Overall, exports rose only 11 percent, compared with about 20 percent for the non-OPEC LDCs as a group. Depressed sugar prices and earnings accounted for most of the gap. Even though imports were held to a 5-percent gain, the trade gap was $1.1 billion; higher interest payments widened the current account deficit to $1.1 billion.

Manila again opted to finance the deficit through stepped-up foreign borrowing, rather than further constraining imports or drawing down reserves. The



financial gap was amply covered by a series of private Euromarket syndications ($900 million in commitments in 1976) coupled with longer term official project loans and a $100 million credit from the IMF'S Extended Fund Facility. Foreign reserves increased almost $300 million in 1976.

Growth of Foreign Debt

Although borrowing to meet foreign exchange needs has pushed Philippine outstanding foreign debt up sharply, debt service has remained within manageable limits. By the end of 1976, outstanding debt amounted to $5.5 billion, up from $2.3 billion in 1973. About 80 percent was composed of medium- and long-term obligations, of which $2.5 billion was accounted for by the government. Debt service payments rose gradually to a level of about $560 million in 1976; the debt service ratio (amortization plus interest payments divided by gross earnings on current account) moved up from 12.7 percent in 1974 to 15.5 percent in 1976.

Outlook for 1977

The outlook for 1977 is somewhat brighter than last year, although some problems persist. Commodity exports are running nearly 30 percent higher than for comparable periods in 1976. Even with a weak world market, sugar earnings should be substantially larger because of long-term contracts worked out by the government last year. Other key primary exports—particularly copper, coconut, and forestry products—are expected to remain strong. As a result of vigorous government promotional efforts, including a favorable exchange rate policy, nontraditional exports—such as garments, handicrafts, electronic components, nickel, fish, bananas, and, more recently, coffee—are projected to increase by 40 to 50 percent to $800 million. Thus, we estimate total exports will rise 27 percent, to $3.2 billion. Imports, on the other hand, will increase at about half the rate; they will total about $4.1 billion, given an oil bill of $1 billion. Raw material and capital goods imports should be enough to support GNP growth near the 7-percent target.

The current account deficit will be offset by development loans and private foreign investment. Gross foreign exchange reserves are expected to remain essentially unchanged. External debt will continue to grow but at rates well below those of 1975 and 1976.

Beyond 1977

The existing debt service burden will peak in 1978 at around $700 million. We expect the Philippine current account to remain in deficit for the next several years, moderately below the $900 million level estimated for 1977. We expect Manila to stick with current economic policies unless market conditions for exports deteriorate sharply or foreign borrowing becomes substantially more difficult. (Unclassified)

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SOUTH KOREA: IMPROVED FOREIGN FINANCIAL POSITION

The dramatic improvement in South Korea's foreign financial position in 1976 and the prospect of a further gain this year has greatly eased Seoul's policy options. Sharply increased exports and service receipts have enabled South Korea to achieve a nearly balanced current account while putting it among the world leaders in GNP growth. Foreign exchange reserves have nearly doubled to $3.5 billion since May 1976, and international confidence in the Korean economy has reached new highs. While security concerns continue to force Korea to pay high interest rates, the prospect of US troop withdrawals has had little impact on Korea's ability to attract foreign capital.

The 1974-75 Scramble for Funds

South Korea was rocked hard by the effects of the OPEC oil price hikes and the ensuing global recession. Slumping demand for Korean exports and higher prices for raw material imports precipitated a balance-of-payments crisis. Seoul's terms of trade declined 27 percent during 1974-75, and its oil bill more than quadrupled, to $1.3 billion. As a result, the current account deficit soared to $2 billion in 1974, compared with $300 million in 1973. Unwilling to slow domestic growth, Seoul delayed import and inflation controls and thus suffered a $1.9 billion deficit in 1975.

To finance the current account shortfall and $400 million a year in debt repayments, Seoul tapped every available source of foreign exchange. Overseas borrowing totaled some $5 billion, including $1.7 billion in high-interest short-term loans. By early 1975, 80 percent of short-term credit lines had been drawn.

South Korea's long-term debt rose 75 percent over the two-year period and reached $5.8 billion by the end of 1975, equivalent to about one-third of GNP. At the same time, the short-term debt more than tripled to $2 billion. While real GNP increased at a relatively strong 8.5 percent in both 1974 and 1975, unemployment climbed to about 10 percent and inflation averaged 34 percent.

South Korea: Foreign Financial Gap

	1973	1974	1975	1976[1]	1977[2]
	Million US $				
Exports, f.o.b.	3,271	4,515	5,003	7,815	10,000
Imports, f.o.b	3,837	6,452	6,674	8,227	10,430
Net services and transfers	257	-86	-216	129	480
Current account	-309	-2,023	-1,887	-283	50
Debt amortization	-408	-428	-405	-730	-784
Financial gap	**-717**	**-2,451**	**-2,292**	**-1,013**	**-734**
Medium- and long-term capital inflows	992	1,606	1,898	1,903	2,058
Net short-term capital	65	860	887	529	-124
Change in reserves	340	15	493	1,419	1,200
Other financial items:					
External debt yearend (including short-term)	3,800	5,600	7,800	9,700	10,600
	Percent				
Debt service ratio (medium- and long-term)	13.8	12.4	12.7	11.9	10.6

[1] Preliminary.
[2] Projected.

The 1976 Turnaround

Paced by a sharp increase in exports and service receipts, South Korea slashed its current account deficit to a mere $283 million last year while attaining real GNP growth of 15 percent. Taking advantage of the consumer-based recovery in the major industrialized countries, South Korea boosted its exports 56 percent last year.

Sales to the United States, which rose 62 percent, accounted for almost two-fifths of the increase. Exports to Japan and Western Europe increased 40 percent and 46 percent, respectively, while shipments to the Middle East doubled. Import growth was held to 23 percent as a result of bumper harvests of barley and rice, further strides in import substitution, and government import restrictions.

The services deficit was also reduced sharply, from $440 million in 1975 to $190 million last year. Remittances from overseas construction workers increased from $39 million to $438 million, more than offsetting the growth in Korea's interest payments. South Korean construction industries lined up $2.5 billion in new contracts last year, compared with $830 million in 1975. Saudi Arabia alone accounted for almost 90 percent of the total.

South Korea: Current Account Balance

		Million US $
1974	I	-391
	II	-483
	III	-544
	IV	-604
1975	I	-851
	II	-719
	III	-78
	IV	-238
1976	I	-363
	II	-123
	III	-6
	IV	209
1977	I[1]	-54

[1] Preliminary.

As a result of these trends, the foreign financial gap was reduced from the $2.4 billion average in 1974-75 to $1 billion last year, despite an 80-percent increase in debt amortization payments. The turnaround greatly eased Seoul's foreign borrowing requirements. With foreign exchange reserves mounting, the Park government stepped up repayment of credits obtained in 1975 and began to dismantle incentive schemes that had encouraged short-term borrowing. The Ministry of Finance lowered the ceiling on interest rates for short-term credits, put limits on foreign currency swaps, and readjusted the import deposit regulations. Nevertheless, net short-term inflows amounted to $529 million, and foreign exchange reserves nearly doubled, reaching $2.9 billion at yearend 1976. The improvement impressed foreign bankers, several of whom increased their lines of credit. Korean utilization of short-term credit lines fell to 37 percent.

Outlook for 1977

Even though foreign exchange constraints have eased considerably in the last year or so, the Park government has recently tightened fiscal and monetary policy to avoid accelerating inflation. Rigid controls over expansion of domestic credit and government spending has slowed domestic economic activity, at least temporarily. Industrial production, which increased 33 percent last year, rose at a 3-percent annual rate in the first quarter. Construction activity has been especially weak, declining 28 percent in the first four months. If, as expected, economic activity strongly recovers during the balance of the year, Seoul's GNP target of 10 percent still appears attainable.

Holding inflation to 10 percent will prove difficult, even if Seoul maintains tight price controls. Wholesale prices increased at a 14 percent annual rate between January and April. Moreover, last month's increase in domestic petroleum prices and the implementation of a value-added tax on 1 July will bolster price pressure.

The Financial Gap

The foreign financial gap is likely to close further in 1977 despite increased debt amortization payments. South Korea may, in fact, achieve its first current account surplus in more than a decade.

The improvement will stem primarily from a stronger services account. Service receipts are likely to surpass Seoul's projections again this year. Through May, revenues were up 110 percent. Remittances from overseas construction workers are providing much of the increase and should easily exceed Seoul's $624 million target. The construction companies have gotten off to a fast start and will probably meet the year's $3.1 billion goal for new contracts.

The trade deficit should remain near last year's $400 million level. Exports are expected to increase nearly 30 percent, about half last year's growth rate, due to slower growth and increased import protection in the industrialized countries. Overseas sales through the first five months are running about 35 percent ahead of last year; letters of credit, however, have slowed. Foreign demand for Korea's light manufactures has weakened; shipments of heavy industrial products, facilitated by the establishment of the Korean Export-Import Bank last July, have taken up the slack. Export-Import Bank disbursements have already reached $180 million, primarily to finance ship sales to Western Europe.

Financing the Gap

South Korea should have little difficulty obtaining foreign financing to cover a projected $735 million financial gap. Seoul has, in fact, further tightened curbs on short-term borrowing to slow the rapid buildup in foreign exchange reserves. By the end of May, reserves had surpassed $3.5 billion, equivalent to four months' imports.

Counting funds already in the pipeline and new credit commitments to date, total medium- and long-term inflows should surpass $2 billion this year. While private creditors will supply more than half of the total, international institutions, notably the World Bank and the Asian Development Bank, should continue to increase their share of medium- and long-term loans. These two agencies increased their disbursements to Seoul by 25 percent in 1976 and also accounted for 15 percent of new commitments last year, compared with 8 percent in 1974. Western Europe has surpassed the United States and Japan as Korea's leading source of commercial financing. Private investment, which accounted for only 4 percent of capital inflows over the past three years, will remain low due to increased government selectivity, joint venture requirements, and uncertainty about future government policy.

The prospect of US troop withdrawals from South Korea has had little effect on Seoul's ability to secure foreign funds. A recent $100 million syndicated loan handled by West Germany's largest private bank was successfully subscribed even though it carried a lower interest rate and longer term than previous Korean borrowings.

Looking Ahead

The outlook for South Korea's economy and foreign payments position is reasonably bright. Seoul will need about $2.5 billion annually in medium- and long-term capital inflows over the next five years to carry out development plans, service its existing debt, and meet a real GNP growth target of roughly 9 percent per year. Debt amortizations are scheduled to peak at $1.5 billion in the early 1980s. Political and military stability on the peninsula will be crucial if Seoul is to attract the necessary foreign capital inflows. A strong US security commitment will continue to play a critical role in assuring Seoul's access to foreign commercial financing. (Confidential)

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Notes

Turkey: Update on Foreign Exchange Situation

A number of foreign banks have been testing Ankara's ability to meet its obligations by calling their deposits in Turkish banks as they come due. With foreign exchange reserves at only $650 million, the Central Bank has been late—by as much as 10 days in some cases—in meeting these payments. It also has refused to authorize $1.2 billion in foreign exchange transfers to pay for imports. While most foreign banks have been replacing their foreign exchange deposits after a few days, deposits have been falling over the last two to three weeks. According to a Central Bank official, about $350 million of these so-called convertible lira deposits must be repaid or rolled over by September; previous reports had placed the amount at $600 million. We cannot determine whether or not the difference is due to repayments or rollovers during June.

The Central Bank has not drawn on a recently arranged $100 million standby credit from the Bank for International Settlements. Prime Minister Ecevit's minority government still must win a vote of confidence before it can begin to tackle the country's economic problems. (Confidential)

USSR: Oil Export Shift

In an apparent all-out drive to earn hard currency, the USSR in 1976 diverted oil exports from Communist countries to the West. Preliminary Soviet trade data show that oil deliveries to Communist countries–mostly East European–declined by 5 percent to 1.45 million b/d. For the first time, exports to the West at 1.52 million b/d exceeded those to Communist countries. Exports to hard currency countries rose from 775,000 b/d in 1975 to an estimated 1.2 million to 1.3 million b/d–an increase from $3.2 billion to about $5.5 billion. Total Soviet hard currency exports, which rose from $8 billion in 1975 to $9.8 billion in 1976 would have declined in the absence of a boost in oil exports.

Moscow will probably be hard-pressed in 1977 to match the 1976 volume of oil shipments. There have been several reports of Soviet failure to make scheduled shipments to a number of countries in the first few months of this year. (Confidential)

OECD Sees Continued Sluggish Growth

Recently released economic projections by the OECD underscore a growing consensus that sluggish growth will continue at least into next year. The Economic Policy Committee of the OECD announced in Paris earlier this month that it expects growth in six major foreign developed countries to average well under 4 percent through mid-1978.

The new OECD figures are somewhat more pessimistic than those of other forecasters. Two major US private forecasting groups–Data Resources Incorporated (DRI) and Chase Econometric–are predicting roughly 4-percent growth this year

Major Developed Countries:
Projections of 1977 GNP Growth

Percent

	OECD	CIA	Chase	DRI
United States	5.1	5.0[1]	4.6	5.0
Big Six[2]	3.5	4.1	4.2	3.9
Japan	5.0	6.1	6.1	5.6
West Germany	3.9	4.2	4.5	5.0
France	3.5	3.7	3.5	3.7
United Kingdom	1.1	1.8	1.4	1.5
Italy	2.0	2.4	3.4	1.9
Canada	3.1	3.8	3.7	3.3

[1] Derived from official CEA estimate of growth between fourth quarter 1976 and fourth quarter 1977.
[2] Composite based on 1975 GNP weights.

and next. Preliminary CIA projections also point to about 4-percent growth. Even with the CEA's estimate of 5-percent economic growth in the US, which the CIA is assuming, the OECD's growth will fall well short of the level needed to attain its medium-term objective of 5-percent noninflationary growth over the remainder of the decade. (For Official Use Only)

Publication of Interest*

South Africa: Economic Factors Affecting Apartheid
(ER 77-10331, June 1977, Confidential)

This memorandum reviews the economic aspects of apartheid and points to some of their more serious implications. Economic factors as well as the commitment of the government to white supremacy and separate development stand in the way of watering down or dismantling apartheid. Under present conditions, we foresee very little improvement in the pace of black progress.

*A copy of this publication may be ordered by calling [redacted] Code 143, Extension 5201. 25X1A

ECONOMIC INDICATORS

Prepared by

The Office of Economic Research

ER EI 77-026
30 June 1977

Approved For Release 2001/04/11 : CIA-RDP79B00457A001100050001-6

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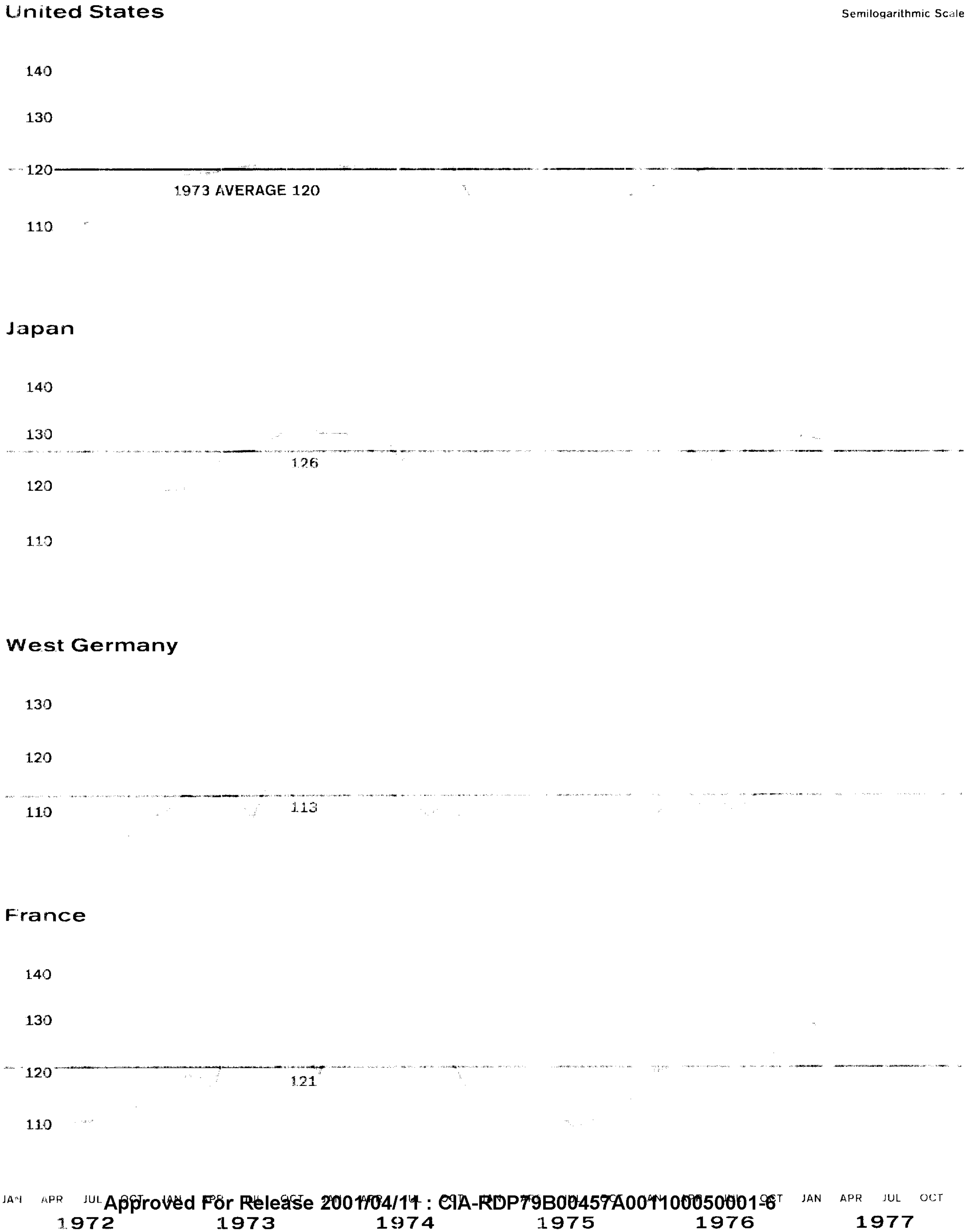
FOREWORD

1. The **Economic Indicators** provide up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators** are updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

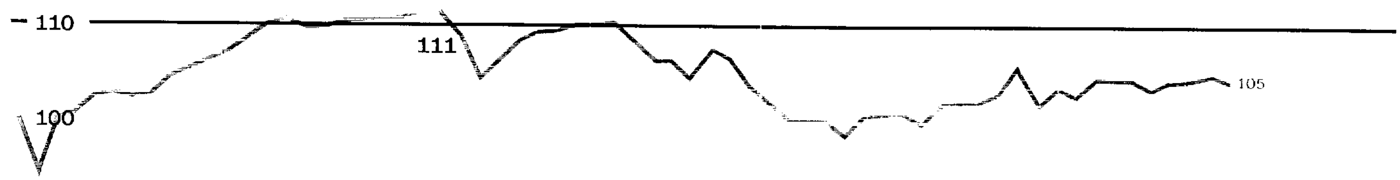
2. Source notes for the **Economic Indicators** will be published quarterly. The most recent data of publication is 20 April 1977. Comments and queries regarding the **Economic Indicators** are welcomed.

INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

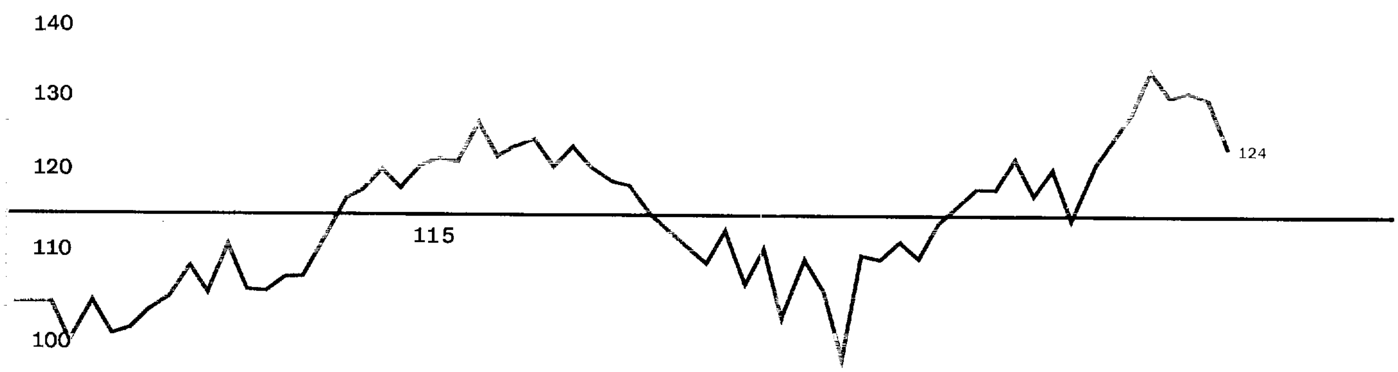


United Kingdom

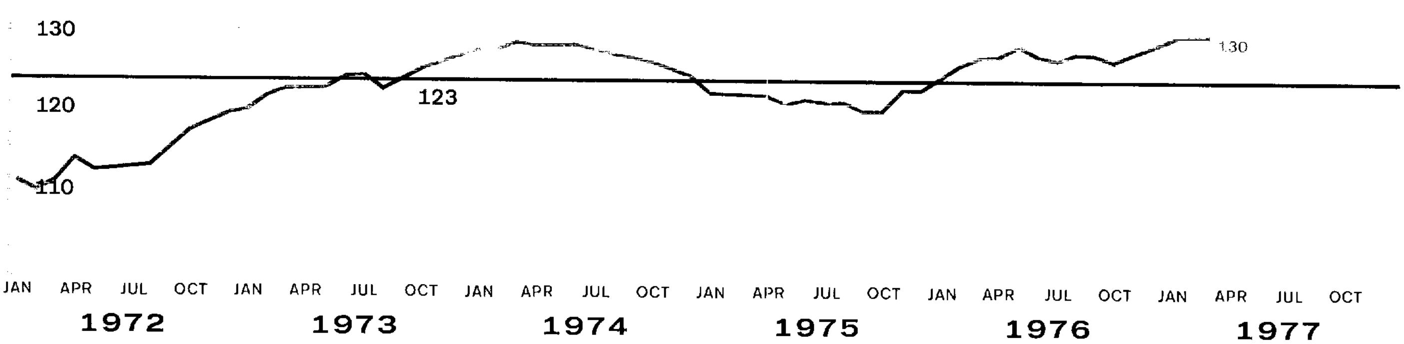
Semilogarithmic Scale



Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United States	MAY 77	1.1	3.6	6.3	11.4
Japan	APR 77	0.9	4.2	4.4	3.8
West Germany	APR 77	0.8	2.3	4.5	2.3
France	MAR 77	1.6	3.9	5.7	14.7
United Kingdom	APR 77	0.8	0.7	1.5	2.1
Italy	APR 77	5.3	3.2	5.4	6.4
Canada	MAR 77	0.1	3.9	2.2	8.1

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[1]Average for latest 3 months compared with average for previous 3 months.

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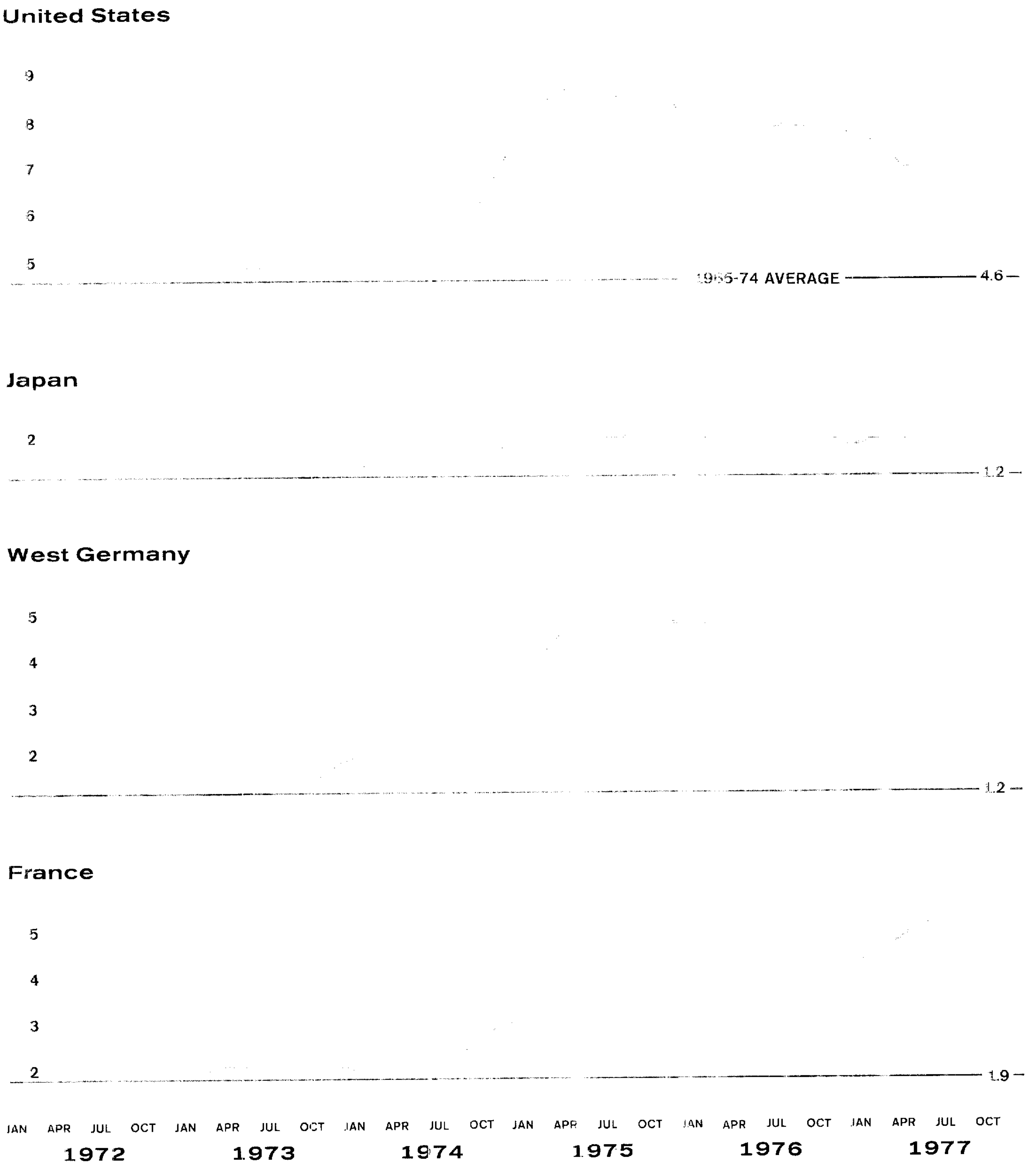
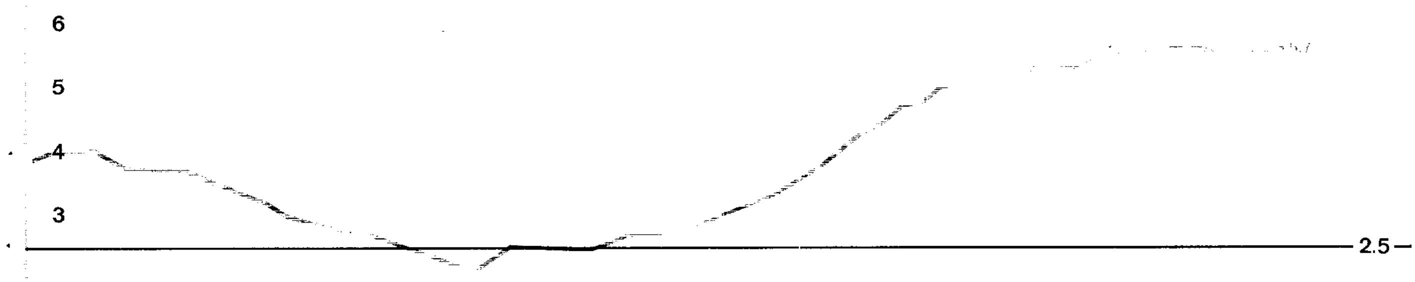
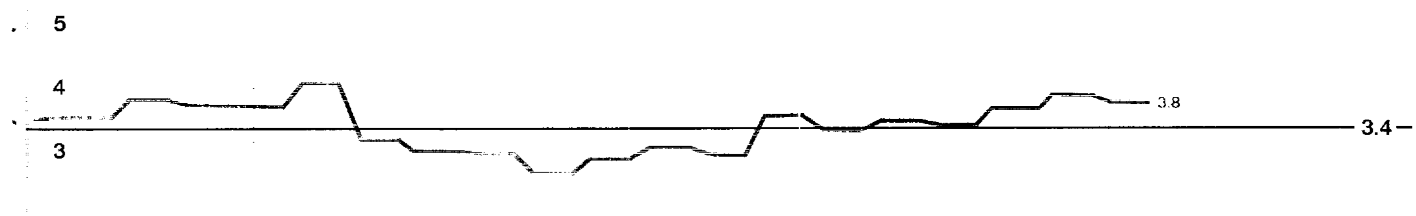
UNEMPLOYMENT PERCENT OF LABOR FORCE



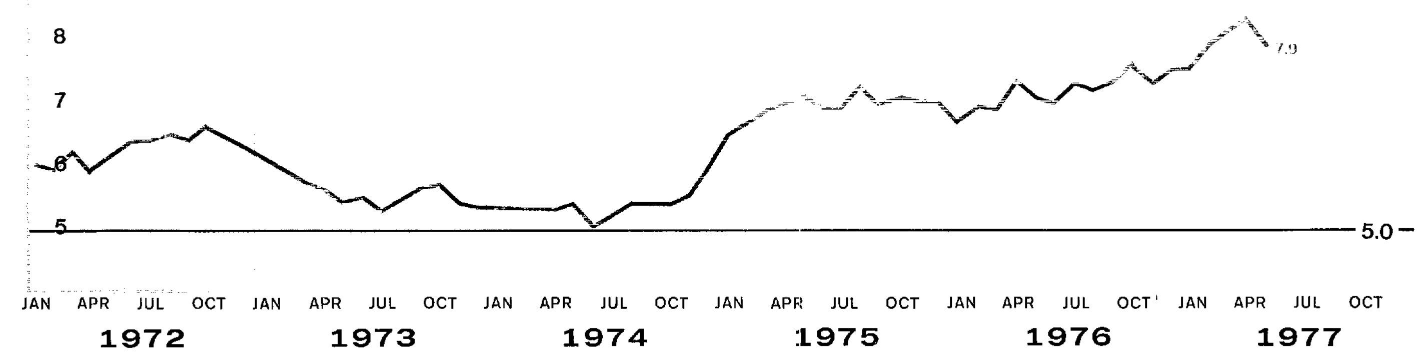
United Kingdom



Italy (quarterly)



Canada



THOUSANDS OF PERSONS UNEMPLOYED

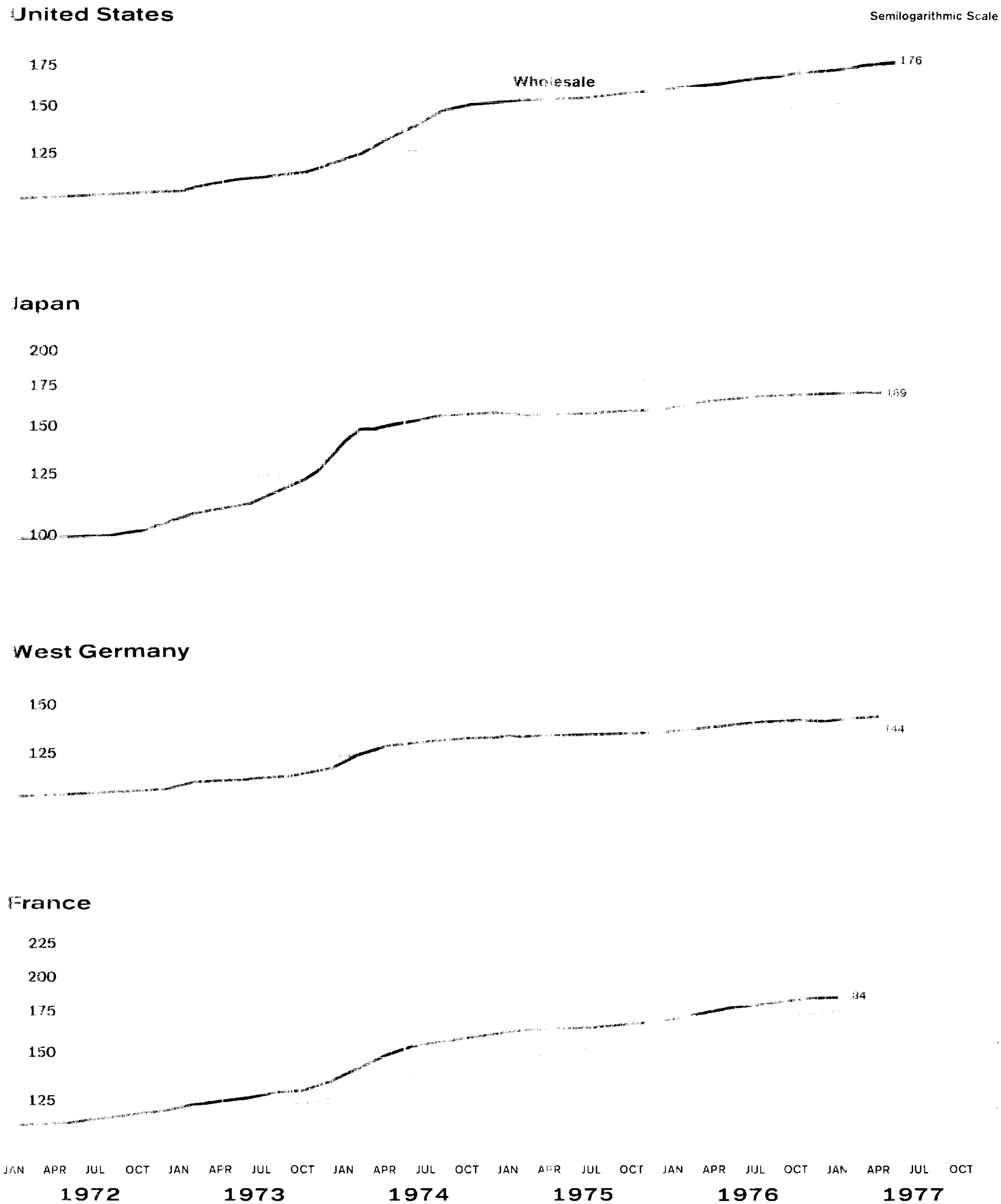
	LATEST MONTH		1 Year Earlier	3 Months Earlier
United States	MAY 77	6,750	6,911	7,183
Japan	MAR 77	1,050	1,040	980
West Germany	MAY 77	1,022	1,053	996
France	MAY 77	1,097	953	972

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United Kingdom	JUN 77	1,353	1,261	1,321
Italy	76 IV	777	699	776
Canada	MAY 77	841	731	829

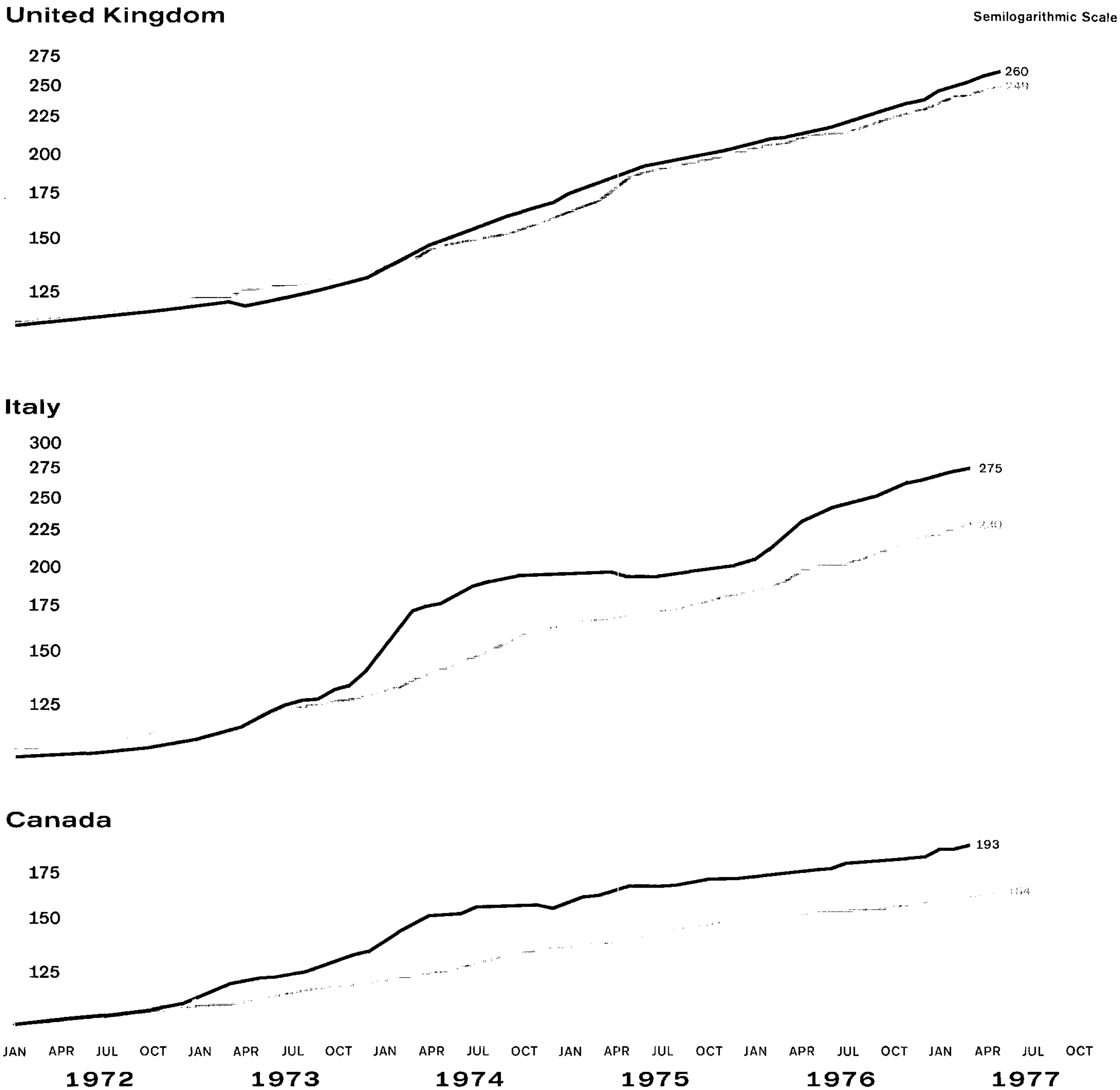
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

573372 6-77

DOMESTIC PRICES[1] INDEX: 1970=100



[1]Wholesale price indexes cover industrial goods.



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier
United States	MAY 77	0.5	8.6	7.6	9.4
	APR 77	0.6	6.5	6.8	10.2
Japan	APR 77	−0.1	8.1	3.6	1.4
	APR 77	1.6	10.9	8.6	11.6
West Germany	APR 77	0.3	5.5	3.5	4.3
	MAY 77	0.4	5.7	3.8	5.1
France	JAN 77	−0.1	9.7	8.2	3.8
	APR 77	1.3	9.0	9.5	12.2

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier
United Kingdom	MAY 77	1.6	14.9	20.9	19.7
	MAY 77	0.8	14.2	17.1	18.6
Italy	MAR 77	0.9	16.3	26.1	18.5
	MAR 77	1.5	13.2	21.8	21.0
Canada	MAR 77	1.8	10.3	11.2	13.8
	MAY 77	0.5	7.1	7.6	10.1

GNP [1]

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	77 I	1.3	2.9	4.1	5.2
Japan	77 I	2.5	5.5	4.9	10.2
West Germany	76 IV	1.8	2.5	4.5	7.3
France	76 IV	0	3.9	4.9	0
United Kingdom	76 IV	2.1	2.0	2.6	8.8
Italy	76 IV	4.8	3.4	9.4	20.6
Canada	76 IV	−0.6	4.8	3.4	−2.5

[1] Seasonally adjusted.

RETAIL SALES

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Apr 77	−0.4	3.5	5.2	9.8
Japan	Feb 77	1.0	10.6	4.2	10.1
West Germany	Apr 77	−4.2	1.9	0.9	−1.1
France	Feb 77	−5.1	−0.9	0	−1.4
United Kingdom	May 77	0.1	0.6	−3.1	−12.7
Italy	Nov 76	0.6	2.9	1.2	−4.6
Canada	Feb 77	−1.3	4.8	4.7	12.2

Seasonally adjusted

[2] Average for latest 3 months compared with average for previous 3 months.

FIXED INVESTMENT [1]

Non-residential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	77 I	3.4	1.6	8.3	14.3
Japan	77 I	0.2	0.9	3.9	0.8
West Germany	76 IV	3.3	1.1	5.0	13.8
France	75 IV	8.8	4.2	2.9	40.1
United Kingdom	76 IV	−6.7	0.2	0.5	−24.3
Italy	76 IV	10.6	3.1	15.7	49.6
Canada	76 IV	8.5	6.8	5.1	38.7

[1] Seasonally adjusted.

WAGES IN MANUFACTURING [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Apr 77	0.5	7.5	7.5	7.2
Japan	Mar 77	−1.4	17.5	11.2	7.2
West Germany	76 IV	0.2	9.3	5.8	0.9
France	77 I	2.3	14.1	13.9	9.5
United Kingdom	Nov 76	0.3	16.0	9.0	1.8
Italy	Mar 77	0.1	20.7	35.8	30.5
Canada	Feb 77	1.1	11.4	12.0	12.0

[1] Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.

[2] Average for latest 3 months compared with that for previous 3 months.

MONEY MARKET RATES

	Representative rates	Latest Date	Percent Rate of Interest	1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Commerical paper	Jun 22	5.40	5.85	4.75	5.48
Japan	Call money	Jun 24	5.63	7.00	6.50	5.25
West Germany	Interbank loans (3 months)	Jun 22	4.23	4.10	4.69	4.31
France	Call money	Jun 24	8.75	7.50	9.38	9.00
United Kingdom	Sterling interbank loans (3 months)	Jun 22	7.75	10.99	9.60	7.51
Canada	Finance paper	Jun 22	7.14	9.57	7.48	7.44
Eurodollars	Three-month deposits	Jun 22	5.80	6.14	5.24	5.98

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Mar 77	0.8	10.1	6.5	3.5
Japan	Apr 77	1.7	11.0	18.4	14.7
West Germany	Mar 77	−0.2	11.5	9.8	−3.5
France	Feb 77	0.4	11.6	2.7	14.9
United Kingdom	May 77	1.9	10.8	14.6	15.2
Italy	Feb 77	2.9	11.3	17.6	29.1
Canada	Jan 77	1.2	9.4	0.3	0.9

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Mar 77	0.8	10.1	6.5	3.5
Japan	Apr 77	0.1	6.7	9.2	−7.3
West Germany	Mar 77	−0.7	4.7	2.6	−2.6
France	Feb 77	0.3	9.8	14.4	14.0
United Kindgom	May 77	1.8	16.3	20.7	13.0
Italy	Feb 77	3.1	17.3	35.1	39.2
Canada	Jan 77	1.6	8.5	−1.6	7.3

IMPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Mar 77	2.7	14.0	9.5	22.3
Japan	Apr 77	−7.0	10.6	−4.1	−23.8
West Germany	Mar 77	−0.5	4.4	3.3	−0.3
France	Feb 77	2.1	10.8	19.3	16.8
United Kingdom	May 77	0.1	19.9	18.7	11.0
Italy	Feb 77	4.6	21.9	39.3	33.4
Canada	Jan 77	4.8	9.2	0.7	32.2

OFFICIAL RESERVES

	Latest Month: End of	Latest Month: Billion US $	Billion US $: Jun 1970	1 Year Earlier	3 Months Earlier
United States	Apr 77	18.9	14.5	17.4	18.7
Japan	May 77	17.3	4.1	15.2	16.8
West Germany	Apr 77	34.6	8.8	34.4	34.4
France	Mar 77	9.8	4.4	11.1	9.7
United Kingdom	Nov 76	5.2	2.8	5.6	5.0
Italy	Sep 76	5.1	4.7	5.8	5.2
Canada	Apr 77	5.2	4.3	5.8	5.7

CURRENT ACCOUNT BALANCE [1]

	Latest Period	Million US $	Cumulative (Million US $) 1976	1975	Change
United States [2]	76 IV	−817	−607	11,694	−12,301
Japan	May 77	120	3,679	−616	4,295
West Germany	Apr 77	356	3,518	3,922	−404
France	76 IV	−1,238	−5,721	−5	−5,716
United Kingdom	77 I	−502	−2,548	−3,755	1,207
Italy	76 IV	−882	−2,900	−530	−2,370
Canada	76 IV	−1,280	−4,495	−4,901	406

[1] Converted to US dollars at the current market rates of exchange.

[2] Seasonally adjusted.

BASIC BALANCE [1]
Current and Long-Term-Capital Transactions

	Latest Period	Million US $	Cumulative (Million US $) 1976	1975	Change
United States	No longer published [2]				
Japan	May 77	−120	2,703	−888	3,591
West Germany	Apr 77	−640	3,460	−2,838	6,298
France	76 IV	−721	−6,843	−81	−6,761
United Kingdom	76 IV	−205	−2,092	−4,171	2,079
Italy	76 III	779	−2,232	1,096	−3,329
Canada	76 IV	−111	3,128	−1,052	4,180

[1] Converted to US dollars at the current market rates of exchange.

[2] As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES

Spot Rate
As of 24 Jun 77

	US $ Per Unit	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	17 Jun 77
Japan (yen)	0.0037	−3.23	9.62	1.80	0.27
West Germany (Deutsche mark)	0.4249	19.99	9.43	1.64	0.02
France (franc)	0.2025	−8.12	−3.93	0.67	0.08
United Kingdom (pound sterling)	1.7197	−30.12	−2.95	0.02	0.01
Italy (lira)	0.0011	−36.16	−4.56	0.27	0
Canada (dollar)	0.9425	−5.53	−8.64	−0.65	−0.33

TRADE-WEIGHTED EXCHANGE RATES [1]
As of 24 Jun 77

	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	17 Jun 77
United States	6.06	0.87	−0.28	0.07
Japan	2.48	11.71	1.69	0.31
West Germany	24.58	7.31	1.40	0.06
France	−7.91	−7.85	−0.02	0.11
United Kingdom	−30.44	−4.86	−0.02	0.07
Italy	−38.40	−7.23	−0.41	0
Canada	−3.28	−9.10	−0.78	−0.34

[1] Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

Developed Countries: Direction of Trade [1]

Million US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC [2]	Communist	Other	World	Big Seven	Other OECD	OPEC [2]	Communist	Other
UNITED STATES												
1974	97,908	45,884	16,870	6,690	2,258	26,206	107,997	53,332	10,912	17,256	1,078	25,419
1975	107,191	46,941	16,180	10,768	3,421	29,881	103,414	49,807	8,818	18,371	1,253	25,165
1st Qtr	27,098	12,101	4,848	2,430	618	7,101	26,315	12,897	2,584	4,785	266	5,783
2d Qtr	26,360	11,886	3,808	2,697	538	7,431	24,733	12,150	2,114	4,166	206	6,097
3d Qtr	25,800	10,511	3,562	2,707	692	8,328	25,969	14,551	2,091	4,519	193	4,615
4th Qtr	27,933	12,443	3,962	2,934	1,573	7,021	26,397	10,209	2,029	4,901	588	8,670
1976	114,997	51,298	17,607	12,552	3,935	29,605	129,565	60,387	9,738	24,995	1,572	32,873
1st Qtr	27,360	12,184	4,159	2,751	1,144	7,122	29,339	13,717	2,479	5,570	356	7,217
2d Qtr	29,695	13,383	4,527	3,113	1,036	7,636	31,650	15,247	2,491	5,582	333	7,997
3d Qtr	27,437	11,944	4,114	3,103	850	7,426	33,734	16,693	2,401	7,156	423	7,061
4th Qtr	30,505	13,787	4,807	3,585	905	7,421	34,842	14,730	2,367	6,687	460	10,598
1977												
1st Qtr	29,458	13,681	4,602	2,936	951	7,288	37,361	16,070	2,745	8,972	397	9,177
Apr	10,548	4,686	1,613	1,080	352	2,817	13,249	5,714	873	3,280	152	3,230
JAPAN												
1974	54,480	19,101	7,477	5,446	3,915	18,541	62,046	18,780	7,303	19,965	3,119	12,879
1975	54,822	16,567	6,091	8,406	5,283	18,475	57,856	16,929	6,084	19,427	3,383	12,033
1st Qtr	13,064	4,013	1,394	1,891	1,447	4,319	14,545	4,442	1,431	4,637	797	3,238
2d Qtr	13,404	3,897	1,362	2,072	1,353	4,720	14,272	4,356	1,417	4,892	895	2,712
3d Qtr	13,454	3,945	1,585	2,231	1,290	4,403	14,091	4,131	1,544	4,615	821	2,980
4th Qtr	14,900	4,712	1,750	2,212	1,193	5,033	14,948	4,000	1,692	5,284	870	3,102
1976	67,364	22,406	8,588	9,277	5,049	22,044	64,895	17,534	7,778	21,877	2,926	14,780
1st Qtr	14,429	4,848	1,827	1,872	1,289	4,593	14,832	4,083	1,696	5,213	671	3,169
2d Qtr	16,431	5,402	2,092	2,271	1,348	5,318	15,903	4,347	1,943	5,400	677	3,536
3d Qtr	17,542	5,897	2,272	2,476	1,135	5,762	16,818	4,497	2,137	5,406	747	4,031
4th Qtr	18,962	6,259	2,397	2,659	1,277	6,370	17,342	4,607	2,002	5,858	831	4,044
1977												
1st Qtr	17,911	5,848	2,449	2,461	1,409	5,744	17,452	4,717	1,845	6,246	801	3,843
WEST GERMANY												
1974	89,188	30,998	37,605	4,268	6,884	9,433	68,962	23,762	26,079	8,406	3,209	7,506
1975	90,063	28,331	36,407	6,777	9,029	9,519	74,986	27,085	27,755	8,228	4,167	7,751
1st Qtr	22,518	7,052	9,368	1,490	1,683	2,925	18,034	6,439	6,856	1,890	807	2,042
2d Qtr	23,637	7,280	9,580	1,701	1,895	3,181	19,779	7,287	7,293	2,091	1,121	1,987
3d Qtr	20,776	6,389	8,290	1,814	3,136	1,147	17,563	6,371	6,390	1,956	1,060	1,786
4th Qtr	23,132	7,610	9,169	1,772	2,315	2,266	19,610	6,988	7,216	2,291	1,179	1,936
1976	101,989	33,372	41,720	8,231	8,575	10,091	88,230	31,008	31,351	9,718	5,050	11,103
1st Qtr	22,467	7,855	9,437	1,705	2,064	1,406	20,147	6,790	7,114	2,189	1,046	3,008
2d Qtr	24,570	8,147	10,019	1,832	1,771	2,801	21,571	7,478	7,778	2,222	1,127	2,966
3d Qtr	26,147	8,134	10,445	2,235	2,385	2,948	21,792	8,136	7,900	2,575	1,550	1,631
4th Qtr	28,805	9,236	11,819	2,459	2,355	2,936	24,720	8,604	8,559	2,731	1,327	3,499
1977												
1st Qtr	27,804	9,281	11,609	2,307	2,156	2,451	24,084	8,465	8,828	2,578	1,270	2,943
FRANCE												
1974	46,388	19,345	15,245	3,164	1,874	6,760	52,820	22,040	13,874	8,848	1,547	6,511
1975	53,005	19,959	15,183	4,952	3,094	9,817	54,238	23,040	14,350	9,448	1,591	5,809
1st Qtr	13,511	5,042	4,136	1,202	716	2,415	13,988	5,852	3,762	2,507	441	1,426
2d Qtr	14,496	5,415	4,229	1,378	824	2,650	14,027	6,012	3,759	2,307	177	1,772
3d Qtr	11,627	4,435	3,037	1,094	679	2,382	11,903	5,089	2,971	2,059	450	1,343
4th Qtr	13,371	5,067	3,781	1,278	875	2,370	14,320	6,087	3,858	2,584	523	1,268

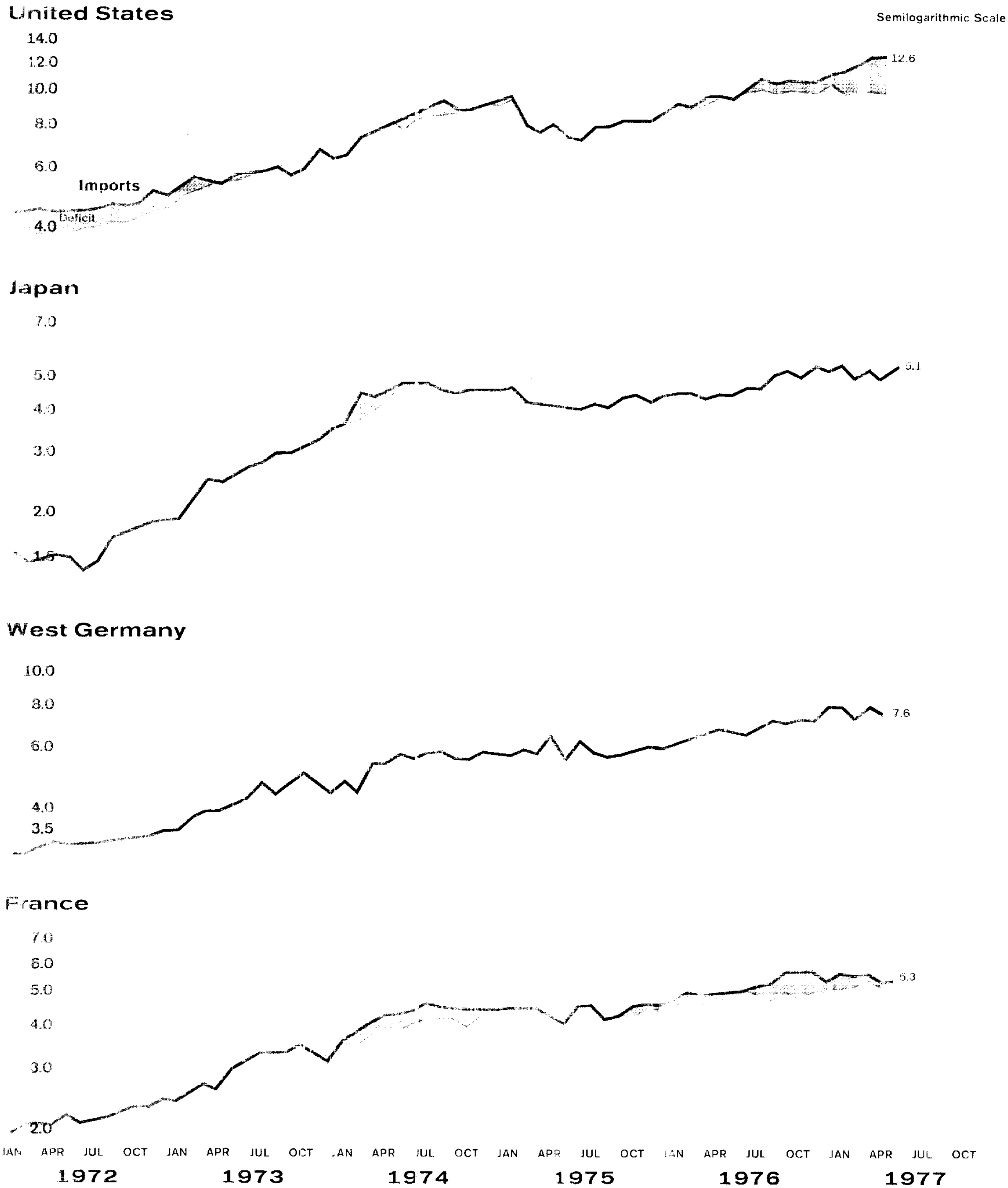
Developed Countries: Direction of Trade [1]
(Continued)

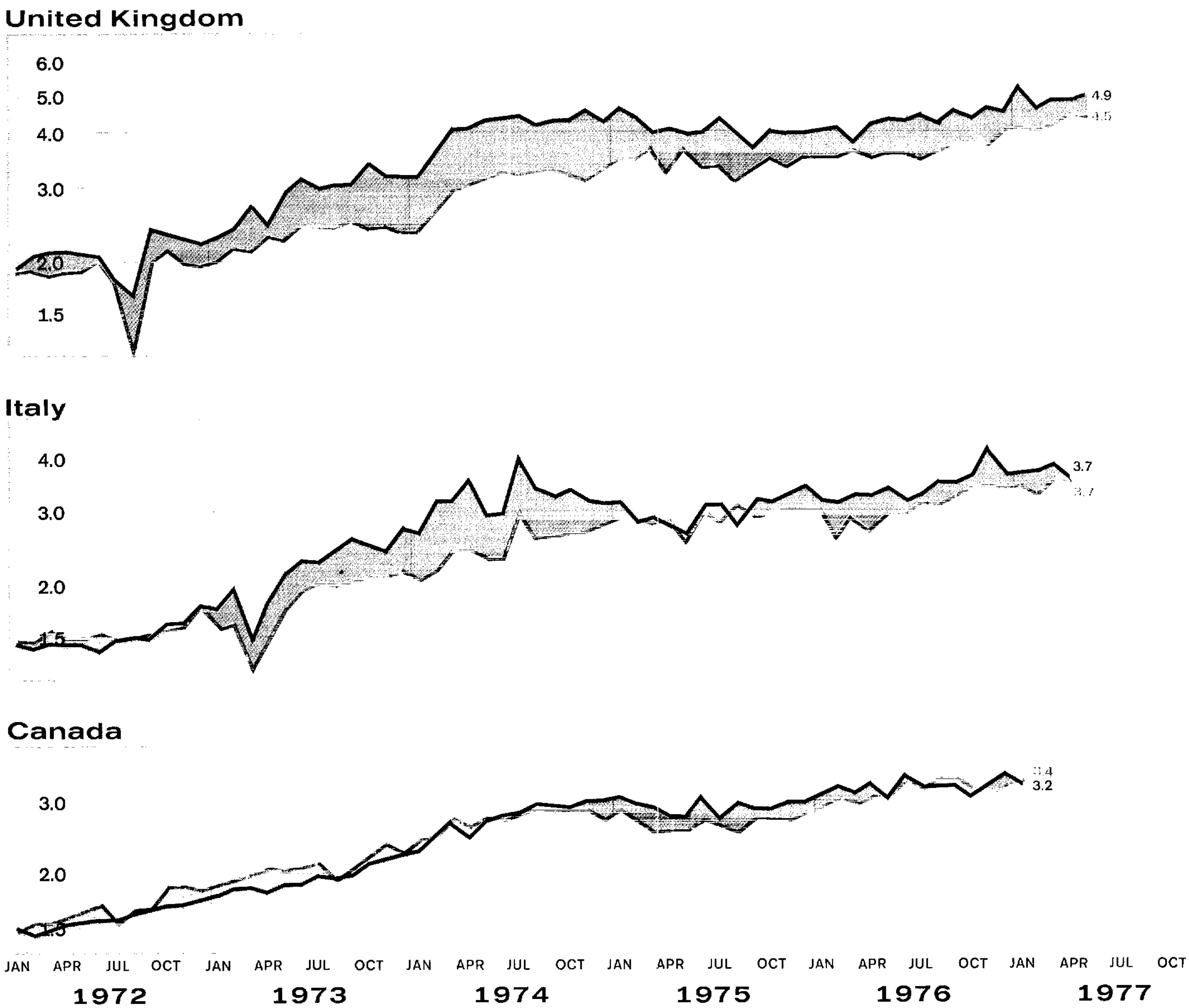
Million US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC [2]	Com-munist	Other	World	Big Seven	Other OECD	OPEC [2]	Com-munist	Other
FRANCE (Continued)												
1976	55,680	22,438	16,081	5,080	3,558	8,523	64,255	27,750	16,894	11,359	2,384	5,868
1st Qtr	13,639	5,524	3,921	1,240	917	2,037	15,529	6,567	4,157	2,817	595	1,393
2d Qtr	14,769	5,911	4,395	1,222	1,059	2,182	16,187	7,149	4,324	2,610	593	1,511
3d Qtr	12,409	4,922	3,446	1,292	729	2,020	14,840	6,431	3,733	2,746	577	1,352
4th Qtr	14,863	6,081	4,319	1,326	853	2,284	17,699	7,603	4,680	3,185	619	1,612
UNITED KINGDOM												
1974	37,160	11,765	17,006	2,567	1,197	4,625	54,510	18,272	18,253	8,020	1,849	8,116
1975	41,731	12,339	16,515	4,553	1,480	6,844	53,147	18,301	18,274	6,962	1,771	7,839
1st Qtr	10,454	3,107	4,266	962	306	1,813	13,877	4,930	4,551	1,960	387	2,049
2d Qtr	10,837	3,167	4,183	1,232	411	1,844	13,426	4,709	4,498	1,808	434	1,977
3d Qtr	9,592	2,744	3,696	1,179	338	1,635	12,699	4,281	4,526	1,579	442	1,871
4th Qtr	10,848	3,321	4,370	1,180	425	1,552	13,145	4,382	4,699	1,614	508	1,942
1976	46,352	14,026	17,803	5,132	1,625	7,768	56,224	19,332	19,271	7,291	2,240	8,090
1st Qtr	11,615	3,409	4,414	1,238	433	2,121	13,639	4,357	4,975	1,825	510	1,972
2d Qtr	11,560	3,531	4,379	1,254	422	1,974	14,133	5,058	4,626	1,738	590	2,121
3d Qtr	11,089	3,437	4,186	1,265	389	1,812	13,861	4,746	4,573	1,891	597	2,054
4th Qtr	12,088	3,649	4,821	1,376	381	1,861	14,591	5,171	5,097	1,836	543	1,944
1977												
1st Qtr	13,150	4,008	5,145	1,521	413	2,063	15,575	5,786	5,068	1,783	514	2,424
Apr	4,427	1,264	1,754	531	152	726	5,064	1,875	1,666	501	185	837
ITALY												
1974	30,261	13,796	7,681	2,427	1,721	4,636	40,977	18,003	7,216	9,313	1,944	4,501
1975	34,230	15,345	7,468	3,710	2,895	4,812	37,793	17,072	6,367	6,993	2,304	5,057
1st Qtr	8,070	3,525	1,873	823	545	1,304	9,016	4,165	1,527	1,816	480	1,028
2d Qtr	8,621	3,742	1,921	938	863	1,157	9,350	4,412	1,671	1,797	518	952
3d Qtr	8,123	3,689	1,823	950	725	936	8,614	3,821	1,475	1,906	604	808
4th Qtr	9,416	4,389	1,851	845	762	1,569	10,813	4,674	1,694	2,293	702	1,450
1976	35,364	16,698	8,276	4,165	2,591	3,634	41,789	18,585	7,759	8,124	3,000	4,321
1st Qtr	7,398	3,513	1,713	811	597	764	9,092	4,063	1,708	1,816	608	897
2d Qtr	8,705	4,157	2,040	958	623	927	10,716	4,786	1,918	2,106	744	1,162
3d Qtr	9,398	4,505	2,191	1,056	656	990	10,335	4,497	1,860	2,029	792	1,157
4th Qtr	9,863	4,523	2,332	1,340	715	953	11,646	5,239	2,273	2,173	856	1,105
CANADA												
1974	32,904	27,092	2,004	548	659	2,601	33,309	26,727	1,777	2,698	257	1,850
1975	32,201	26,582	1,689	700	1,153	2,077	35,435	27,887	1,621	3,174	310	2,443
1st Qtr	7,535	6,350	430	160	133	462	8,576	6,720	408	882	63	503
2d Qtr	8,570	6,918	513	234	320	585	9,429	7,555	424	879	82	489
3d Qtr	7,712	6,450	382	142	182	556	8,341	6,783	365	732	72	389
4th Qtr	8,384	6,864	364	164	518	474	9,089	6,829	424	681	93	1,062
1976	36,840	30,783	2,077	928	1,259	1,793	38,705	31,118	2,034	3,154	369	2,030
1st Qtr	8,422	7,103	381	167	328	443	9,404	7,572	473	868	87	404
2d Qtr	9,964	8,408	480	184	346	546	10,244	8,174	683	930	96	361
3d Qtr	9,112	7,465	576	270	349	452	9,378	7,417	473	715	96	677
4th Qtr	9,342	7,807	640	307	236	352	9,679	7,955	405	642	90	587
1977												
1st Qtr	9,670	8,201	524	247	231	467	10,025	8,164	406	771	90	594

[1] Data are unadjusted. Because of rounding, components may not add to the totals shown.
[2] Including Gabon.

FOREIGN TRADE BILLION US $, f.o.b., seasonally adjusted





	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	CHANGE
United States	APR 77	9,970 12,593	39.448 47,995	36,405 37,146	8.4% 29.2%
	Balance	-2,623	-8,546	-741	-7,805
Japan	MAY 77	6,231 5,135	32,360 25,290	26,243 21,680	23.3% 16.7%
	Balance	1,096	7,069	4,563	2,507
West Germany	APR 77	9,460 7,647	37,390 31,097	31,597 26,069	18.3% 19.3%
	Balance	1,813	6,292	5,528	764
France	MAY 77	5,170 5,271	25.812 27,022	23,189 23,867	11.3% 13.2%
	Balance	-101	-1,211	677	-533

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	CHANGE
United Kingdom	MAY 77	4,495 4,915	21,722 24,021	18,021 20,237	20.5% 18.7%
	Balance	419	2,299	-2,216	83
Italy	APR 77	3,685 3,736	14,111 14,831	11,188 12,638	26.1% 17.4%
	Balance	-51	-721	-1,450	730
Canada	JAN 77	3,410 3,230	3,410 3,230	3,001 3,034	13.6% 6.5%
	Balance	179	179	-33	212

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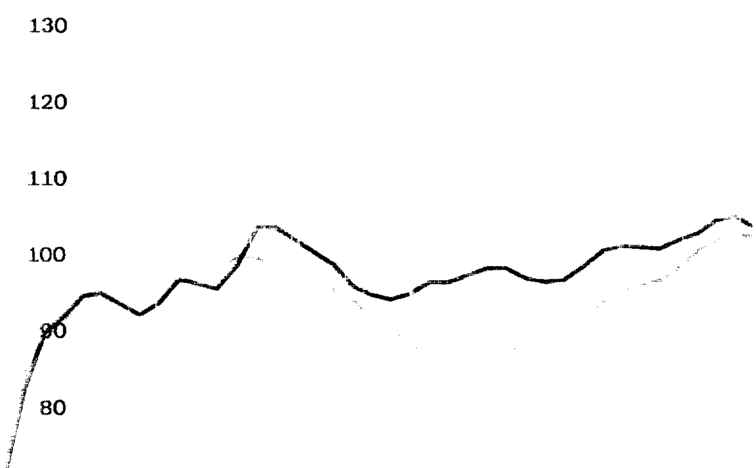
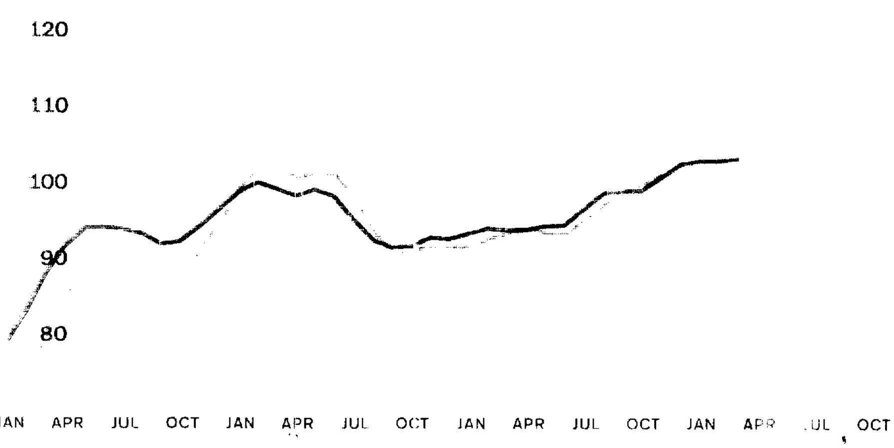
FOREIGN TRADE PRICES IN US $[1]

United States INDEX: JAN 1975 = 100

Japan

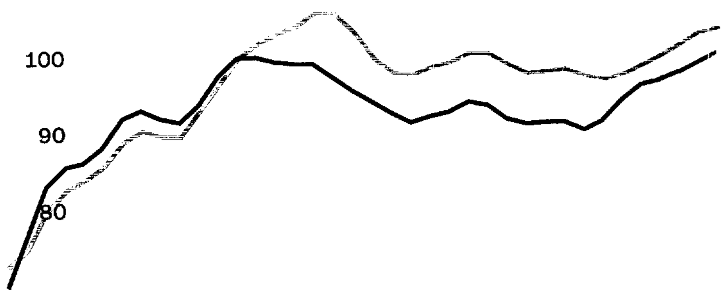


West Germany

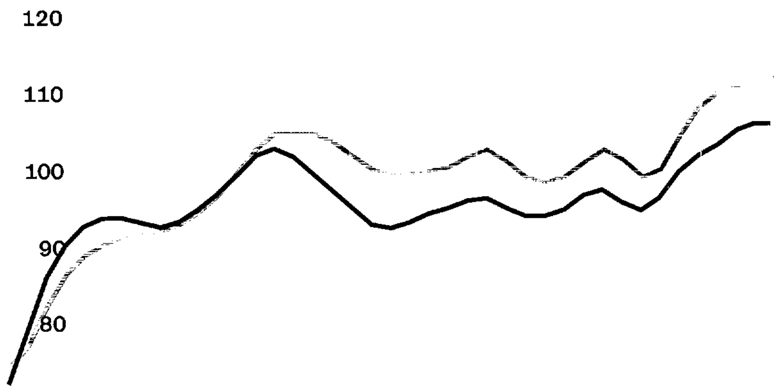


[1] Export and import plots are based on five month weighted moving averages

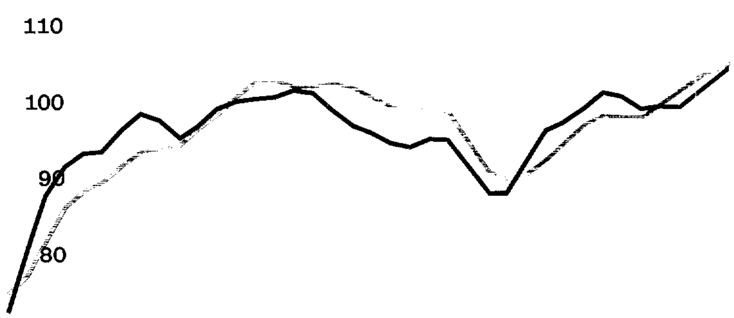
France



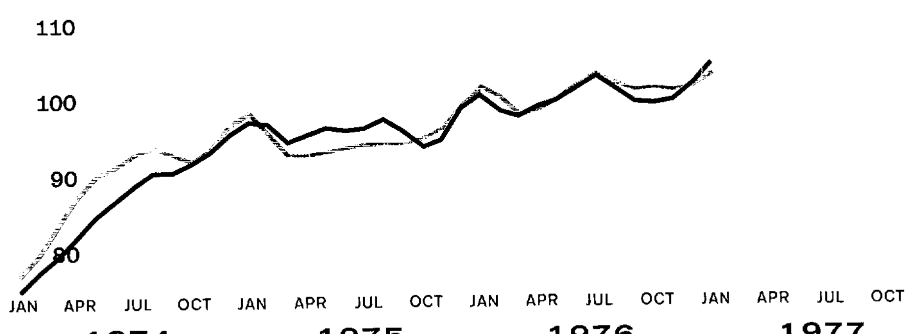
United Kingdom



Italy



Canada



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SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
Brazil	76 II	0.1	11.0	10.7	0.4
India	Oct 76	0.2	4.2	6.7	−12.6
South Korea	Apr 77	3.5	21.8	11.8	1.0
Mexico	Feb 77	3.2	5.2	−1.5	−7.4
Nigeria	76 II	2.4	18.7	60.3	9.8
Taiwan	Apr 77	−0.3	14.6	10.3	−11.0

[1] Seasonally adjusted.

[2] Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY [1]

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
Brazil	Jan 77	−3.1	35.5	28.2	49.6
Egypt	Feb 77	5.1	18.3	22.7	22.3
India	Jan 77	1.2	12.2	18.3	19.9
Iran	Feb 77	0.9	28.2	35.2	11.0
South Korea	Mar 77	3.0	30.7	32.4	41.5
Mexico	Jun 76	−0.3	17.0	16.6	19.6
Nigeria	Dec 76	5.2	35.0	49.5	43.3
Taiwan	Jan 77	−6.2	22.6	5.7	13.0
Thailand	Jan 77	−0.4	13.1	11.0	9.4

[1] Seasonally adjusted.

[2] Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Apr 77	3.3	26.6	44.4
India	Jan 77	0.3	8.1	3.0
Iran	Feb 77	2.6	11.3	26.2
South Korea	Apr 77	0.1	14.6	9.6
Mexico	May 77	0.9	14.7	31.4
Nigera	Jan 77	4.5	15.0	13.5
Taiwan	Apr 77	0.8	10.4	2.0
Thailand	Jan 77	0.6	8.3	3.6

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Apr 77	4.3	27.3	45.9
India	Jan 77	0.5	9.2	7.2
Iran	Feb 77	3.3	10.8	24.1
South Korea	Apr 77	0.3	16.8	9.9
Mexico	May 77	2.2	16.6	50.8
Taiwan	Apr 77	0.8	9.3	4.7
Thailand	Jan 77	0.7	9.9	−0.2

EXPORT PRICES

US $

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Oct 76	−0.4	14.5	26.5
India	Jun 76	4.8	9.9	−5.9
Iran	Mar 77	0	37.6	18.7
South Korea	76 IV	2.4	8.9	15.0
Nigeria	May 76	−0.1	33.2	8.2
Taiwan	Jan 77	0.9	12.2	6.5
Thailand	Oct 76	12.0	13.1	6.3

OFFICIAL RESERVES

	Latest Month: End of	Latest Month: Million US $	Million US $: Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Feb 77	5,873	1,013	3,667	5,139
Egypt	Feb 77	377	155	285	347
India	Feb 77	3,481	1,006	1,837	3,003
Iran	Apr 77	10,548	208	7,951	8,965
South Korea	Mar 77	3,212	602	1,702	2,961
Mexico	Mar 76	1,501	695	1,479	1,533
Nigeria	Apr 77	4,784	148	6,165	4,738
Taiwan	Feb 77	1,414	531	1,097	1,676
Thailand	Apr 77	2,005	978	1,924	1,885

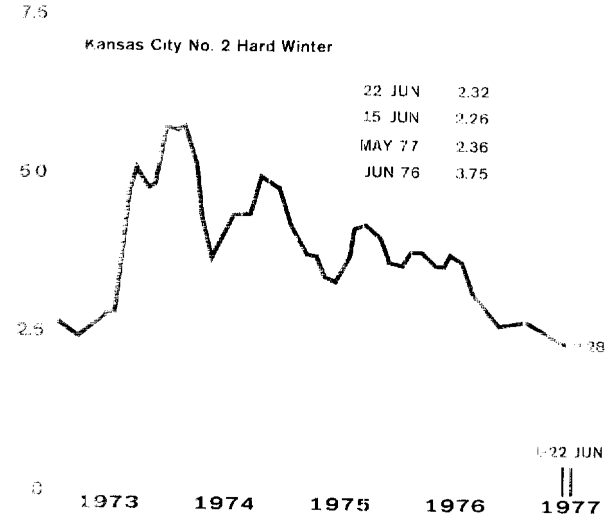
FOREIGN TRADE, f.o.b.

	Latest Period		Latest 3 Months Percent Change from: 3 Months Earlier[1]	Latest 3 Months Percent Change from: 1 Year Earlier	Cumulative (Million US $): 1976	Cumulative (Million US $): 1975	Cumulative (Million US $): Change
Brazil	Apr 77	Exports	−1.2	38.6	10,136	8,655	17.1%
	Apr 77	Imports	−11.5	−1.1	12,291	12,169	1.0%
	Apr 77	Balance			−2,155	−3,514	1,359
Egypt	76 IV	Exports	−97.9	−47.8	1,354	1,546	−12.4%
	76 IV	Imports	−93.5	−54.7	2,501	3,731	−33.0%
	76 IV	Balance			−1,147	−2,186	1,039
India	Dec 76	Exports	−6.3	17.3	5,036	4,299	17.1%
	Dec 76	Imports	15.9	−13.4	4,498	5,477	−17.9%
	Dec 76	Balance			538	−1,178	1,716
Iran	Mar 77	Exports	−12.6	22.8	23,460	19,906	17.9%
	Nov 76	Imports	−37.0	9.8	11,292	8,369	34.9%
	Nov 76	Balance			9,978	9,974	4
South Korea	Jan 77	Exports	16.1	40.5	7,715	4,945	56.0%
	Jan 77	Imports	22.2	17.6	7,940	6,583	20.6%
	Jan 77	Balance			−224	−1,638	1,414
Mexico	Apr 77	Exports	71.9	45.1	3,298	2,859	15.4%
	Apr 77	Imports	−33.8	−17.6	5,770	6,327	−8.8%
	Apr 77	Balance			−2,472	−3,469	997
Nigeria	Mar 77	Exports	44.9	23.0	10,527	8,885	18.5%
	Aug 76	Imports	−16.3	15.1	4,283	3,095	38.4%
	Aug 76	Balance			2,419	1,907	513
Taiwan	Apr 77	Exports	−43.8	3.0	8,061	5,309	51.8%
	Apr 77	Imports	−27.0	5.3	7,032	5,506	27.7%
	Apr 77	Balance			1,029	−197	1,226
Thailand	Dec 76	Exports	70.1	50.0	2,985	2,208	35.2%
	Jan 77	Imports	41.9	24.2	3,923	3,276	19.8%
	Dec 76	Balance			−277	−773	496

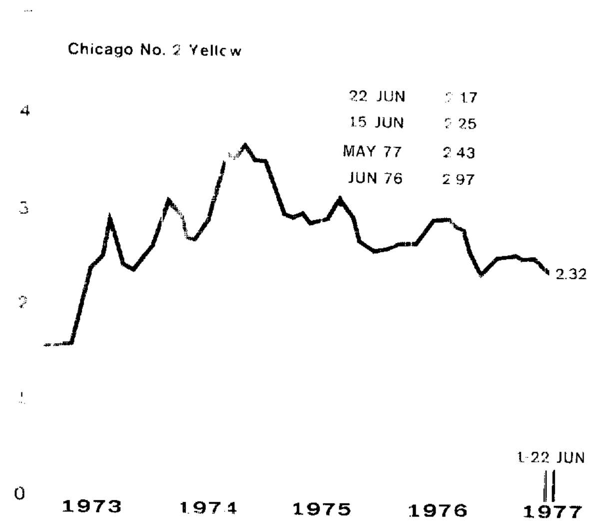
[1] At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

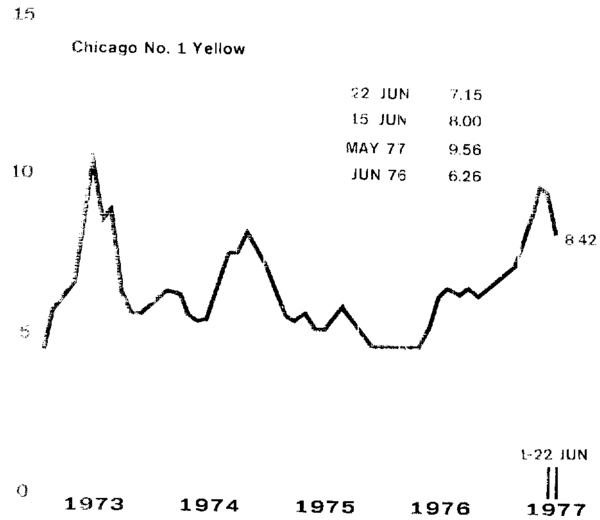
WHEAT $ PER BUSHEL



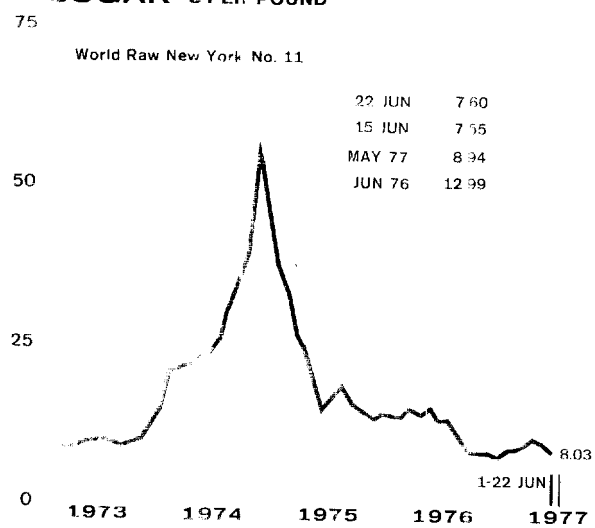
CORN $ PER BUSHEL



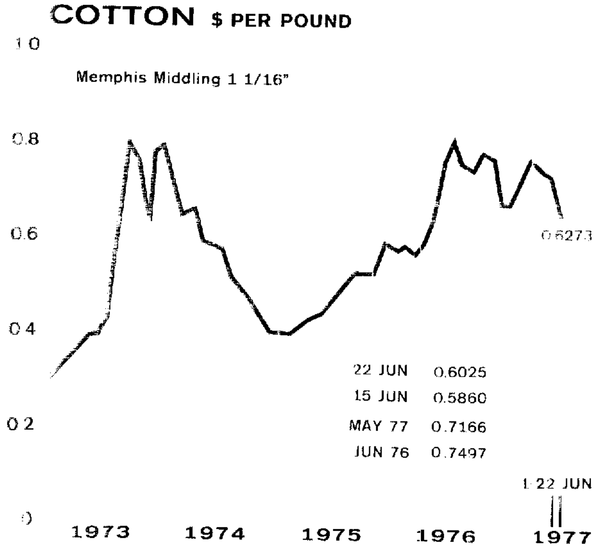
SOYBEANS $ PER BUSHEL



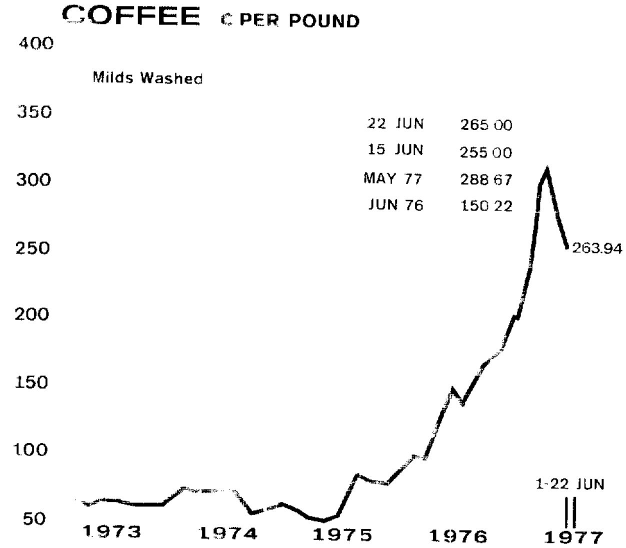
SUGAR ¢ PER POUND



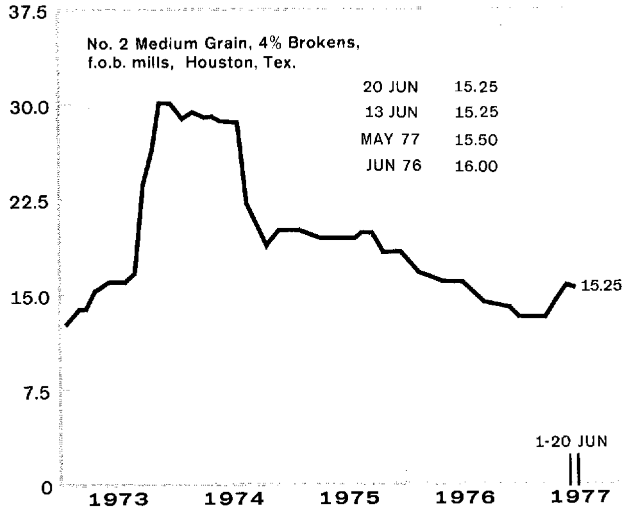
COTTON $ PER POUND



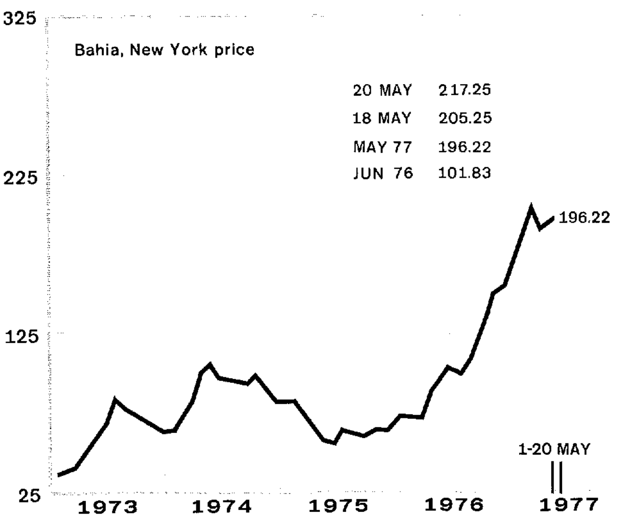
COFFEE ¢ PER POUND



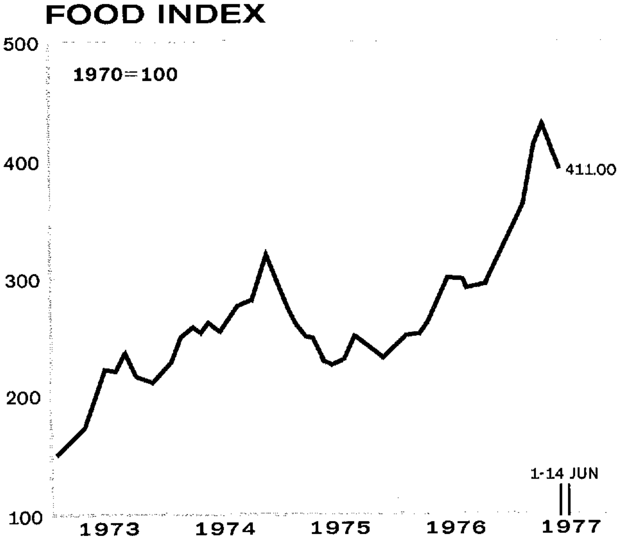
RICE $ PER HUNDRED WEIGHT



COCOA ¢ PER POUND



FOOD INDEX



NOTE: The food index is compiled by the <u>Economist</u> for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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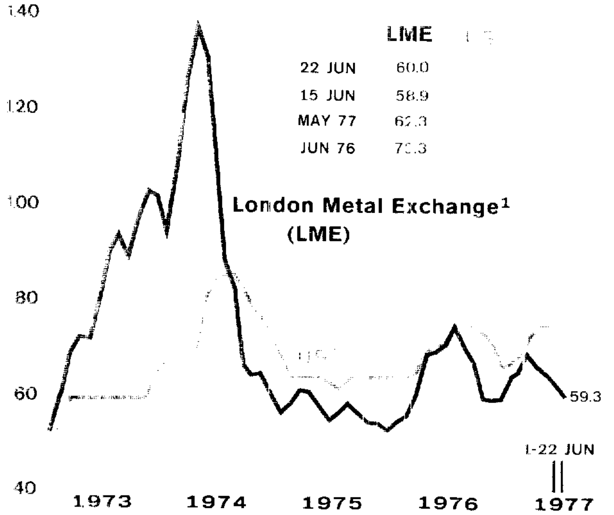
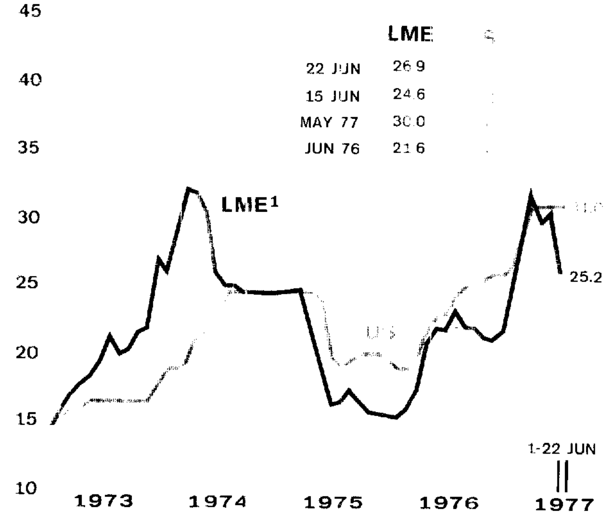
INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

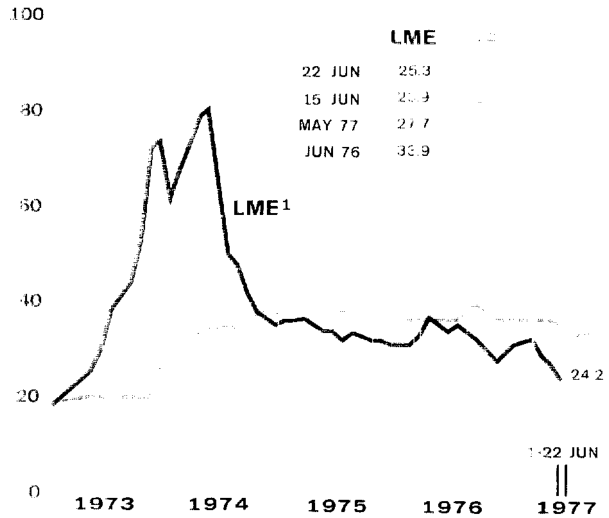
COPPER WIRE BAR ¢ PER POUND



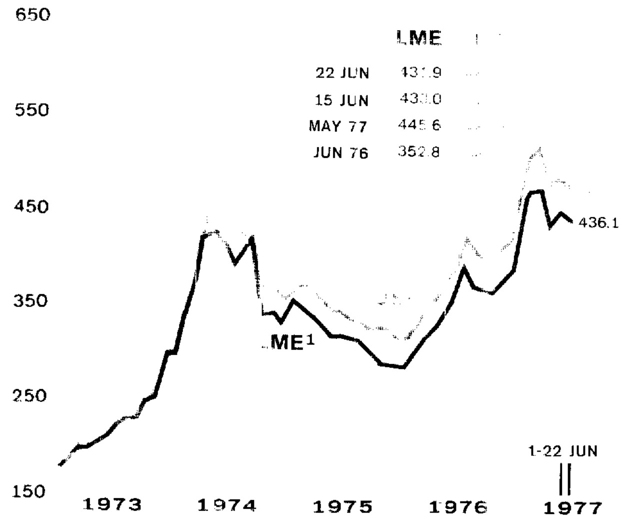
LEAD ¢ PER POUND



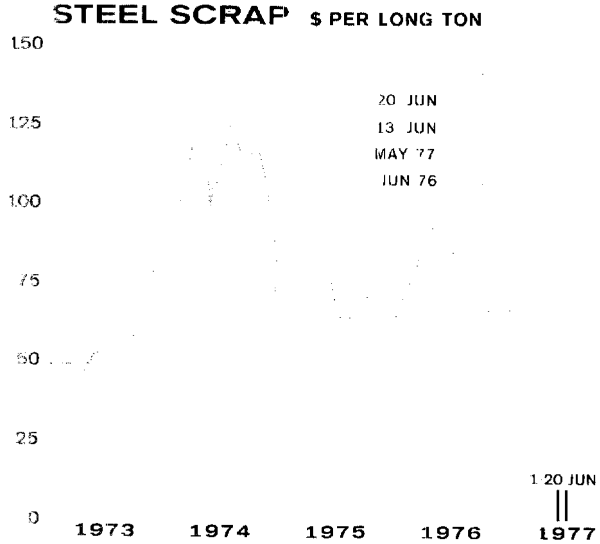
ZINC ¢ PER POUND



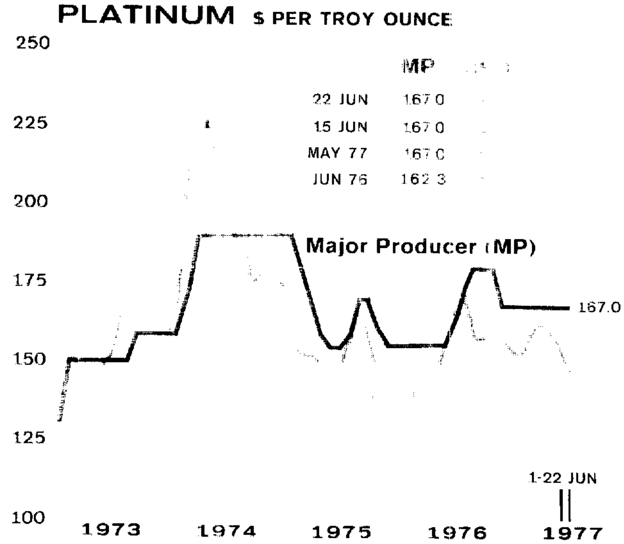
TIN ¢ PER POUND



STEEL SCRAP $ PER LONG TON



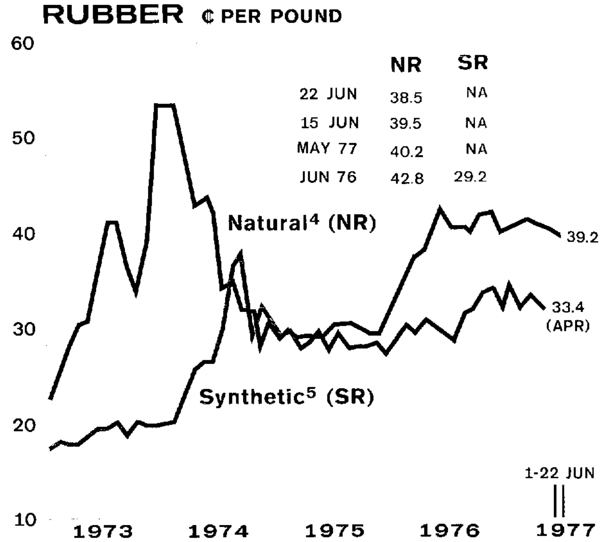
PLATINUM $ PER TROY OUNCE



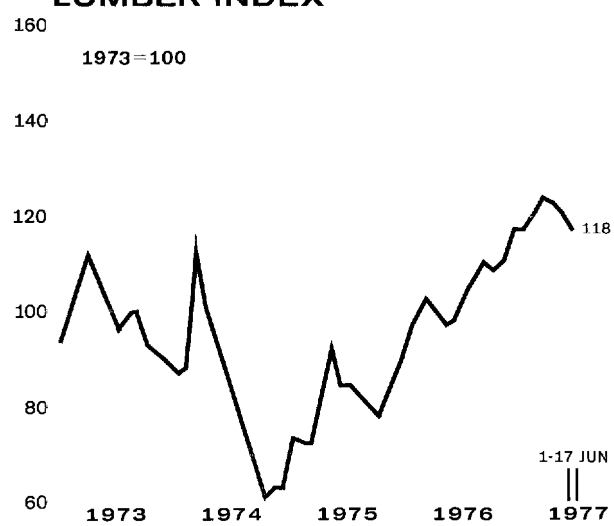
SELECTED MATERIALS

			CURRENT	DEC 76	JUN 76	JUN 75
ALUMINUM	Major US Producer	¢ per pound	51.00	48.00	44.00	39.00
US STEEL	Composite	$ per long ton	339.27	333.78	316.36	289.23
IRON ORE	Non-Bessemer Old Range	$ per long ton	21.43	20.51	19.50	17.53
CHROME ORE	Russian, Metallurgical Grade	$ per metric ton	150.00	150.00	150.00	135.00
CHROME ORE	S. Africa, Chemical Grade	$ per long ton	58.50	42.00	39.00	35.05
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	43.00	43.00	45.00	53.50
NICKEL	Major US Producer Cathode	$ per pound	2.41	2.41	2.20	2.01
MANGANESE ORE	48 Percent Mn	$ per long ton	72.00	72.00	72.00	67.20
TUNGSTEN ORE	65 Percent WO_3	$ per short ton	10,687.62	8,581.80	6,525.25	5,262.84
MERCURY	NY	$ per 76 pound flask	120.00	134.50	110.00	155.19
SILVER	LME Cash	¢ per troy ounce	439.29	434.62	478.82	449.19
GOLD	London Afternoon Fixing Price	$ per troy ounce	138.60	133.79	125.71	164.15

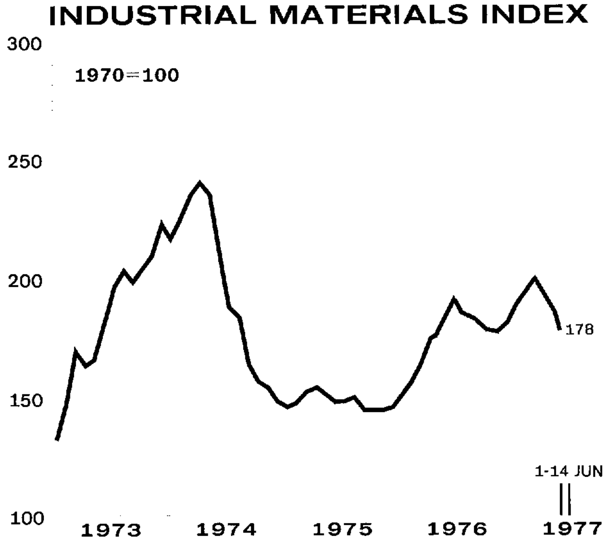
RUBBER ¢ PER POUND



LUMBER INDEX[6]



INDUSTRIAL MATERIALS INDEX



[1] Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

[2] Producers' price, covers most primary metals sold in the US.

[3] As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

[4] Quoted on New York market.

[5] S-type styrene, US export price.

[6] This index is compiled by using the average of 13 types of lumber whose prices are regarded as "bell wethers" of US lumber construction costs.

[7] Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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(2 cys) 293, 294 General Services Administration
Federal Preparedness Agency
Mr. John Lavery
Security Officer
Room 4203
18th & F Streets, N.W.

295 Mr. Raymond W. Bronez
Office of the Assistant Secretary for
Policy and International Affairs
Department of Transportation

296 The Honorable Dale Hathaway
Assistant Secretary Designate
International Affairs and Commodity Programs
Department of Agriculture

297 Mr. Elmer Klumpp
Assistant to the Assistant Secretary for
International Affairs and Commodity Programs
Department of Agriculture

298 Mr. Howard W. Hjort
Director
Agricultural Economics
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299 Mr. Joseph W. Willett
Director
Foreign Demand and Competition Division
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300 Mr. David L. Hume
Administrator
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301 Mr. George S. Shanklin
Acting General Sales Manager
Foreign Agricultural Serive
Department of Agriculture

302 Mr. Brice Meeker
Assistant Administrator for Foreign Commodity Analysis
Foreign Agricultural Service
Department of Agriculture

303 Assistant Secretary for Energy and Minerals
Department of the Interior

304 Mr. Alexander Holser
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Ocean Mining Administration
Department of the Interior
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306 Mr. Marshall Westover
Federal Energy Administration
Room 2124
2000 M Street, N.W.
att: Mr. Melvin Conant

307 Department of Labor
Mrs. Ann Causey
Office of Management Administration Planning
Bureau of International Labor Affairs
Room S -5214
200 Constitution Ave, N.W.

308 Mrs. Hilda O. Scudder
OPIC
Room 613
1129 20th Street, N.W.
for : Mr. John Gun
Room 744

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PAGE 1 OF PAGES 1

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MESSAGE HANDLING INDICATOR: DEFERRED TELEPOUCH

DATE-TIME GROUP: 302105Z

CITE: WASHINGTON

MESSAGE REFERENCE NUMBER: 059234

CONF: 1 P/DP 11 INFO: FILE

0 INDEX DISSEM BY: 41
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25X1A

TO: [redacted]

EIW - 30 June 77

FROM: CHIEF, OER, INFO E/INTEL, EA/PIA, DDI/CS, PPG/R&D.Y

25X1C

SUBJECT: OER'S EIW ARTICLES RELEASABLE [redacted]

25X1C

LIAISON.Y

25X1C

ITEMS RELEASED [redacted]

FROM OER'S ECONOMIC INTELLIGENCE WEEKLY ENDING 30 JUNE 1977

(1) USSR: ECONOMIC PROSPECTS ARE POOR (CONFIDENTIAL),

(2) THE PHILIPPINES: BALANCE-OF-PAYMENTS OUTLOOK (CONFIDENTIAL) AND

(3) SOUTH KOREA: IMPROVED FOREIGN FINANCIAL POSITION (UNCLASSIFIED).

E2, IMPDET.H

25X1A

ORIG & AUTH: DDI/ASA/D/OER [redacted] REL:DDI/CS, [redacted]

25X1A

25X1A

25X1A

DATE: 30 JUNE 1977
ORIG: [redacted]
UNIT: ASA/D/OER
EXT: R 9002

25X1A

[redacted]

[redacted]

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ASA/D/OER

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MESSAGE HANDLING INDICATOR	DATE-TIME GROUP	CITE	MESSAGE REFERENCE NUMBER
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CONF: IP/DP9 INFO: FILE

0 INDEX DISSEM BY: 28

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25X1A

TO: [redacted]

FROM: CHIEF, OER, INFO DDI/CS, [redacted]

EIW - 30 June 77

SUBJECT: COMMENTS ON EIW ARTICLE, "SOUTH KOREA: IMPROVED FOREIGN FINANCIAL POSITION."Y

25X1A REFERENCE: [redacted]

25X1A 1. OER APPRECIATES THE FAVORABLE COMMENTS [redacted] 25X1A IN REFERENCE CONCERNING EIW ARTICLE ON SOUTH

25X1A KOREA. [redacted] WAS OF GREAT USE IN PREPARING THE ARTICLE.Y

2. CONCERNING THE QUESTION RAISED IN PARAGRAPH TWO, "THE $700 MILLION GAP" REFERS TO SOUTH KOREA'S FINANCIAL GAP DEFINED AS THE CURRENT ACCOUNT BALANCE PLUS AMORTIZATION OF MEDIUM- AND LONG-TERM DEBT. EVEN THOUGH SOUTH KOREA SHOULD SHOW A■ SURPLUS IN ITS CURRENT ACCOUNT BALANCE IN 1977, PROJECTED DEBT AMORTIZATION PAYMENTS OF $784 MILLION WILL RESULT IN A FINANCIAL GAP OF ABOUT $700 MILLION.Y

3. THE TEN PERCENT UNEMPLOYMENT FIGURE CITED IN PARAGRAPH

25X1A THREE IS AN ESTIMATE OF THE "URBAN" UNEMPLOYMENT RATE. THE ESTIMATE

DATE: 2 AUGUST 1977

ORIG: [redacted]

UNIT: OER/C/IN

EXT: R 1400

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075216

IS BASED ON REPORTED EMPLOYMENT IN THE NON-AGRICULTURAL SECTORS OF THE ECONOMY AND PUBLISHED UNEMPLOYMENT DATA. THE 34 PERCENT INFLATION RATE REFERS TO WHOLESALE PRICES. SINCE INFLATION AS MEASURED BY THE CONSUMER PRICE INDEX OR GNP DEFLATOR WAS 25 PERCENT, OER AGREES WITH ECONOMIC SECTION THAT 30 PERCENT WOULD BETTER CHARACTERIZE THE INFLATION RATE. E 2, IMPDET.

25X1A

25X1A ORIG: DDI/OER/C/IN [redacted] AUTH: DDI/ASA/D/OER [redacted]

REL: DDI/D/OER (M.ERNST).

25X1A

25X1A

DDI/CS [redacted]

DATE:
ORIG:
UNIT:
EXT: [redacted]

MAURICE C. ERNST, D/OER   ASA/D/OER

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T 049772 EIA181 PAGE 01 IN 358651

TOR:291042Z JUL 77 [redacted]

25X1A

SECRET 290941Z JUL 77 DEFERRED TELEPOUCH

25X1A CITE [redacted]

D/OER

TO: WASHINGTON.

FOR: DDI LIAISON STAFF

SUBJECT: COMMENTS ON OER WEEKLY ON SOUTH KOREA EIW 77-026, 30 JUNE '77, "SOUTH KOREA: IMPROVED FOREIGN FINANCIAL POSITION"

25X1A 1. [redacted] PASSED OER'S SOUTH KOREA ARTICLE FROM INTERNATIONAL

25X1A ECONOMIC INTELLIGENCE WEEKLY [redacted] 25X1A

[redacted] FOLLOWING ARE THEIR COMMENTS WHICH [redacted] 25X1A

THOUGHT WOULD BE OF INTEREST TO YOU.

25X1A 2. [redacted] FINDS THE ARTICLE TIMELY AND ACCURATE. THEY ALSO COMMENTED FAVORABLY ON WHAT THEY VIEW AS EXTENSIVE

25X1A USE OF [redacted] DOES NOT UNDERSTAND WHAT OER MEANS BY "THE 700 MILLION DOLLAR GAP." THEY COMMENTED THAT THE CURRENT SURPLUS IN KOREA'S BALANCE OF PAYMENT SHOULD SHOW A SLIGHT SURPLUS FOR 1977 AND ASSUME THAT OER'S REFERENCE TO A GAP REFERS TO INTEREST AND AMORTIZATION PAYMENTS ON PREVIOUS DEBTS.

3. THE UNEMPLOYMENT FIGURES OF TEN PERCENT FOR 1974 AND 1975

25X1A APPEAR [redacted] TO BE RATHER HIGH. THEY COMMENT THAT WHILE ROK OFFICIAL FIGURES OF 4.1 PERCENT ARE OBVIOUSLY TOO LOW,

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			2		5	
			3		6	

25X1A

T 049772 EIA181 PAGE 02-02 IN 358651

TOR:291042Z JUL 77 [redacted]

THE TEN PERCENT FIGURE SEEMS RATHER ON THE HIGH SIDE. SIMILARLY, THEY FEEL THE INFLATION AVERAGE OF 34 PERCENT APPEARS TO BE AN ARITHMETIC AVERAGE OF THE WPI FOR THESE TWO YEARS. THEY BELIEVE THIS OVERSTATES THE CASE AND THAT A 30 PERCENT AVERAGE WOULD BE MORE ACCURATE. (BOTH CONSUMER PRICES AND GNP PRICE DEFLATORS WERE IN THE 20 PERCENT PRICE BRACKET).

25X1A

4. [redacted] IS IN FULL AGREEMENT WITH THE POINTS RAISED IN PARAS 15 AND 16 OF THE WEEKLY. E2, IMPDET.

SECRET

ER EIW 77-026

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM

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TO	NAME AND ADDRESS	DATE	INITIALS
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	COMMENT		FILE		RETURN
	CONCURRENCE		INFORMATION		SIGNATURE

Ple ... ncing ... 1977

Remarks:

25X1C

Please indicate the items releasable [redacted]

25X1C

USSR: Economic Prospects Are Poor — p. 1
Philippines .... p. 9
South Korea .... p. 13

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(24-80)

24 USSR: ECNOMIC PROSPECTS ARE 52

53 POOR 80

CARD 2

SURVEY NO. (1-6)	RECORD TYPE (7-8)	OFFICE (9-10)			
	0 2	01 OCI	03 OSR	06 CRS	08 OWI
		X 02 OER	04 OGCR	07 OSI	09 OPR
			40 DIA	60 State	59 NSA
		JOINT OFFICE (specify):			(– –)

TOPICAL CATEGORY	GEOGRAPHIC AREA CATEGORY
[ ] Domestic Politics	[X] USSR
[ ] International Relations	[ ] Eastern Europe
[X] Economics	[ ] China
[ ] Military	[ ] Other Far East
[ ] Science & Technology	[ ] Near East/N. Africa
[ ] Geography	[ ] South Asia
[ ] Biography	[ ] Africa
	[ ] Latin America
	[ ] Western Europe

LIST SPECIFIC COUNTRIES: USSR

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		X 02 OER	04 OGCR	07 OSI	09 OPR
			40 DIA	60 State	59 NSA
		JOINT OFFICE (specify):			(– –)

TOPICAL CATEGORY		GEOGRAPHIC AREA CATEGORY	
	Domestic Politics		USSR
	International Relations		Eastern Europe
X	Economics	X	China
	Military		Other Far East
	Science & Technology		Near East/N. Africa
	Geography		South Asia
	Biography		Africa
			Latin America
			Western Europe

LIST SPECIFIC COUNTRIES: China

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(24-80)

24 THE PHILIPPINES: BALANCE OF P 52

53 AYMENTS OUTLOOK. 80 X

CARD 2 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

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TOPICAL CATEGORY	GEOGRAPHIC AREA CATEGORY
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24 SOUTH KOREA: IMPROVED FOREIG 52
53 N FINANCIAL POSITION 80

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✓ Economics	☐ China
☐ Military	✓ Other Far East
☐ Science & Technology	☐ Near East/N. Africa
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☐ Biography	☐ Africa
	☐ Latin America
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